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Aug 25, 1961  
The Secretary of Agriculture  
Washington, D.C.  
PURPOSES OF THE U. S. DEPARTMENT OF AGRICULTURE

There are three fields of endeavor in which every red-blooded American  
excels -- at least to his own satisfaction.

Each of us recognizes himself as an authority in these departments:

Quarterbacking a football team....

Raising other peoples' children.....and

Solving the farm problem.

We all have winning records as quarterbacks -- primarily because we  
take charge on Monday of games that were actually played Saturday and Sunday.

And, after periodically viewing with alarm the children growing up  
around us, we always wind up pointing with pride to the finished product.

Solving the farm problem is different. In that field, we still have  
more losers than we do winners.

Most people have sense enough to talk about how they would solve the  
farm problem and let it go at that. Some of us, unfortunately, are not that  
smart. I'm afraid this is what happened to me. I talked too much and actually  
ended up right in the middle of this thing.

As you may know, I'm not an agriculturalist by training, but a lawyer.  
So, when I got to the Department of Agriculture, I was exploring some new  
ground.

Let me hasten to tell you I have found it very exciting. We haven't  
solved the farm problem yet, but we are working at it. And we do expect net  
farm income this year to be about \$1 billion higher than it was last year, and  
we are very proud of that.

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Address of Charles S. Murphy, Under Secretary, U. S. Department of Agriculture,  
before the 24th annual summer meeting of the North Carolina Feeder Manufacturers  
Association, Cavalier Hotel, Virginia Beach, Va., 11 a.m. August 25, 1961.

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The thing that has surprised me most about the Department of Agriculture is the tremendous scope and variety of its work. It extends far beyond the farm problem, and it extends far beyond farmers. This Department of Government is doing some things that are of utmost importance to every American. We have our hands full, and we need all the help we can get. We would like to have your help and your understanding. To that end, I would like to tell you what it is -- as I see it -- that we are trying to do.

I would say that the Department of Agriculture has seven main functions:

1. To help provide food and fiber for the American people.
2. To strengthen the national defense.
3. To help achieve world peace.
4. To conserve and develop natural resources.
5. To strengthen the national economy.
6. To serve people in rural areas.
7. To help increase farm income.

I would like to say a few words about each of the first six and something more about the seventh.

1. To help provide food and fiber for the American people. Everyone recognizes that this is a prime function of American agriculture. Few people realize how magnificently American agriculture is performing this function.

American families buy more food, of better quality and wider variety, than any other families in the world -- and do it at less cost in hours of work than any other families in the world.

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We spend only 20% of our take-home pay for food. The Russians have to spend over 50% of their income for food, and in France and England it is about 30%.

Moreover, we are getting more food for less work than ever before in history. Wages from an hour of factory work buy 83% more round steak, 126% more milk, 138% more oranges, or 169% more bacon than in 1929.

The result is that our people are not only getting their food for a smaller share of their income, they are also getting better food. In fact, if the average family today had the same kind of diet it had in the 1930's, its food bill would be one-fourth less than it is now.

The main credit for providing for the American people so abundantly belongs to the farmer. But there are many others who should share in it.

The industry represented by leaders in this room has made a major contribution. Processed feeds have enabled the farmer to get more milk from fewer cows, and have substantially cut the feeding time and labor that has been associated with poultry, hogs, and beef cattle. You have given the farmer the benefits of research in usable form.

I am proud to say that I think the U. S. Department of Agriculture is also entitled to a substantial share of the credit. Through its research and other aids to increased farm efficiency, it has made possible enormous cost savings. Without the benefits of this research, it would cost many millions of dollars more to produce today's output of American farms. And it is perfectly plain that most of the benefits of the cost savings are being passed along to the consumer -- because the farmer certainly has not

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been pocketing the money. Farm income was much lower last year than it was 10 years ago.

There is another way in which the Department of Agriculture contributes directly in providing food for the American people--through its food distribution programs.

During the year which began July 1, approximately \$265 million will be invested in healthier children through the School Lunch and Special Milk Programs.

Another \$375 million will go to provide food for those suffering, through no fault of their own, reverses associated with illness, unemployment, old age and natural disasters....and to residents of tax-supported institutions. Millions of our fellow citizens benefit from this distribution.

The Department of Agriculture also has in operation eight Pilot Food Stamp Programs, designed to lay the groundwork for increased efficiency in distribution of foods to the underprivileged through maximum use of commercial sales channels. Preliminary reports on these operations are most encouraging.

Truly, I think we can say that helping to feed the American people is one of our major purposes.

2. A second major purpose of the Department of Agriculture is to strengthen the national defense. All of us know that if a country gets into war, food is just as important as guns. We have to have it. An army still travels on its stomach. And a civilian population lives the same way. The ability of American agriculture to produce, plus the stockpiles we have on hand, is one of our greatest defense assets. But more than that -- even more important -- is the fact that the efficiency of American agriculture has made possible our total economic advantage over Russia.

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Because farmers have found new and better ways of doing things and have sharply increased output per man, it has been possible for many years to channel a steadily-growing volume of high-quality human resources from the land into industry, business and the professional and personal services.

One American farm worker feeds 26 people. One Russian farm worker feeds five. In food production, one American farm worker equals five Russians.

More than 40% of the total labor force of the Soviet Union works in **agriculture** and forestry. In this country it is only about 10%. If our farmers were no more efficient than those of the Soviet Union, between 20 and 25 million Americans who are now in manufacturing, construction, mining, the trades, transportation and other non-farm business would have to be on the land and in the forest -- or we would not be so well fed and clothed and housed.

The industrial growth of a country is limited by the number of workers it must leave on the land in order to feed its total population. Efficiency in agriculture is the fundamental basis for the mighty industrial strength of the United States.

This is our great advantage over the Communists. Anyone who thinks it tough to compete with the Communists now could really get worked up contemplating the picture if the Russians and Chinese could move three of every four people now on farms into other productive endeavors.

That's why, when Nikita Khrushchev toured our country a few years ago, he was far more interested in our farms and farmers than in missiles and missilemen.

It is also the reason that this country may get more national defense value--dollar for dollar--in money spent for agricultural research than in money spent for military research.

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USDA 2733-61

3. To help achieve world peace. Perhaps no program has captured the imagination of our own people....and the hopes of people in underdeveloped countries abroad...to a greater degree than the Food for Peace Program.

Through gifts, sales and through barter agreements we are moving a substantial share of our abundance into areas of great need. Approximately \$2 billion a year is invested in Food for Peace by the Department of Agriculture.

We cannot, of course, fill the world food gap alone. And we are using food to help underdeveloped nations help themselves. Irrigation, roads and power are all factors in food production, and our Food for Peace shipments in many instances help to pay workers engaged in those construction projects.

We have reappraised, I believe constructively, the barter phase of Food for Peace and are exploring the expanded use of long-term credit. At the same time, we are increasing the dollar markets for American foods abroad.

The Food-for-Peace money is well-spent--perhaps as well spent as any outlays of the U. S. Government--but don't let anyone be under the misapprehension that it is spent just for the benefit of farmers and foreigners. Peace is indivisible. It is worth just as much money to the city dweller as the farmer, and is just as valuable in North Carolina as in India.

4. To conserve and develop natural resources. All of us know that we are completely dependent upon our resources of land and water for our continued existence. We have a vital interest as individuals and as a nation in saving and improving these resources, whether they are publicly or privately owned.

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The responsibility of the Department of Agriculture for the conservation and development of our nation's total land and water resources is very heavy. First, it has complete custodial responsibility for 186 million acres of national forests and national grass lands. In addition, it has functional responsibilities for land and water development on private lands throughout the fifty states.

Three-fourths of the nation's land area is in private ownership. Sixty per cent of the nation's land is in farms and ranches. Most of our water falls on farm, ranch, and forest land. How farmers, ranchers, and woodland owners deal with that vast land surface, therefore, determines in large measure the quality and quantity of water that will be available for cities and industry as well as agriculture.

So, when we work with farmers on soil and water conservation practices, when we develop watershed projects, and when we improve forestry practices on public and private lands, we believe that we are serving the highest and best interests of all the people.

5. Strengthens the national economy. Although the USDA owes a primary responsibility to the farmer, we recognize our obligations toward all elements of the national economy. This is especially true in the case of industries related to agriculture--the manufacturers, processors, shippers and merchants who supply the needs of farmers--and those who process and market farm products.

There are seven million Americans engaged in growing food and fiber. There are more than twice that many--16 million--workers in fields with total or partial ties to agriculture. These are the people who supply farmers--who make, ship, and sell tractors, combines, milking machines, feeds, chemicals, fertilizers, fencing and building materials....who generate and transmit electricity....refine petroleum and make tires.

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These are the people who transport, store, process and market farm products . . . who mill, bake, can, dehydrate, concentrate and freeze foods. They work in meat and poultry packing houses, and are in the cotton and woolen mills and in the sewing rooms. They put food and clothing aboard railroad cars, trucks and ships. . . and unload them. They warehouse these products, and sell them.

For 16 million Americans who are not on the land, agriculture is all or a substantial part of payday.

These agriculture-related industries and businesses are a major part of the American economy. They are dependent upon agriculture, and upon one another, for their well-being. The entire nation is dependent upon all of them for prosperity.

The Department of Agriculture has extensive dealings with many of these industries. We usually rank third among railroad customers. During the last fiscal year our payments to warehousemen and grain elevator operators totaled approximately \$426 million, and another \$163 million went to cover transportation expenses.

Furthermore, we recognize that the administration of many of our programs -- notably in the regulatory field and the price support field -- have a direct and substantial effect on business enterprises. We want these enterprises to thrive and prosper. We want to be scrupulously fair to them -- we want to help them every way we properly can -- recognizing that we have a primary responsibility to the farmer himself.

6. To serve people in rural areas. Everyone is accustomed to thinking of what the Department of Agriculture does for farmers. Few people think much of what we do for rural people who are not farmers.

Today, only about one-third of the people in rural areas live on farms. The other two-thirds are non-farm people. Several of the Department's major programs serve these non-farm people just as they do farmers. Notable examples are the rural electrification program, the rural telephone program and the rural housing program.

We all know that more than 90% of the nation's farms are now electrified - thanks to REA. But we should also remember that REA brings electricity to non-farm families as well - and it is just as great a blessing to them as it is to farmers.

In the housing field we are now in a position to expand our services to non-farm families. The rural housing provisions of the new housing act passed by Congress this year provide funds and authority for housing loans to non-farm as well as farm families.

Another of the programs on which we are working very hard now is Rural Areas Development. Working with State and local groups throughout the country, we are going to do all we can to create new jobs -- develop new industries -- bring new prosperity to rural communities. This program is meeting with enthusiastic response all over the nation. We have great hopes for it. To the extent that it is successful, it will, of course, create new jobs for non-farm people as well as those who live on farms.

7. To help increase farm income. Now we come to the farm problem.

The heart of the problem is the paradoxical fact that the more the farmer produces the less money he makes. The more efficient he becomes -- the poorer he gets.

The fastest technological advance in the United States has taken place in agriculture, not industry. With about the same total quantity of resources, agriculture produced about one and one-half times as much food and fiber in 1959 as in 1940. Throughout the 1947-57 period, gain in output per man in farming averaged 6.2% per year, as compared with 3.7% in manufacturing and only 2.3% in all non-farm industries.

But here is the other side of the coin.

Prices the farmer receives for his crops and livestock have dropped 12% since the 1947-49 period. New Jersey egg producers saw their net income drop 68% while they were raising net production per farm 54%. When Eastern Wisconsin dairy farmers succeeded in raising production per farm 42%, they earned 2% less. Producers of wheat, small grains and livestock in the Northern Plains stepped up production per farm 16%, and their net income slipped 28%. Hog and beef fattening farmers in the Corn Belt raised production per farm 36%, while their income dropped 28%.

Fortunately, producers of some of the major crops in the Southeast have done better. Tobacco producers have fared reasonably well. The reason for this, of course, is the tobacco allotment and price support program which has brought some stability and order to the market.

There is some mystery about why this program was allowed to remain relatively intact during the past eight years -- when so many other farm programs were being torn down. But whatever the reason, we are glad it was saved.

The cotton, peanut, and rice programs were also saved in varying degrees -- and they have helped a lot in the lean years the farmer has been passing through.

The time has come now to restore and rebuild. This will be a long, slow and difficult task, but we know we can do better; and we think that substantial progress has been made already in these past seven months.

We are fortunate in the leadership and support we are getting from President Kennedy. We are most fortunate to have Orville Freeman as Secretary of Agriculture. He is a man of great energy and ability, and he is devoting all his talents to his work. He is an eloquent spokesman and a true champion of American agriculture.



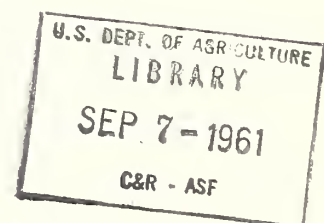
Basically, our objectives in improving farm income must be balanced programs of production and marketing. Many of the techniques we have learned from successful programs already in effect can be adapted for other commodities. Since each commodity has its own special problems, its program needs will be different from others. Above all, any program to be successful must have producer support and participation.

With all of us working together, we think we can do a great deal.

We have a long way to go. We think we can do it.

We appreciate your interest and ask for your understanding and cooperation -- not only for farmers, but for a better America and a better world.

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U. S. Department of Agriculture  
Office of the Secretary

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For P.M. Release Friday, Nov. 10

Washington, November 9, 1961

STATEMENT ON FEED GRAIN PROGRAM BY CHARLES S. MURPHY, ACTING SECRETARY  
OF AGRICULTURE

In the last several weeks, the public has been exposed to a continuous stream of misinformation and misinterpretation regarding the farm policies and programs of this Administration.

The result has been to give wide currency to distortions so completely at variance with the facts that this Department, as the agency responsible for administration of the programs in question, is impelled to set the record straight. That is the purpose of this statement.

Much of the current misinformation appears to emanate from sources intent upon discrediting present policies in favor of others of their own devising, which have already failed.

In the main, it relates to the effectiveness and the cost of the emergency feed grain program adopted by Congress and initiated by the Department in March 1961. This program was not created in a historical vacuum. It was created to deal with the serious emergency then confronting American agriculture as a consequence of the farm policies and programs of the preceding eight years. Its success must therefore be measured by its effect in reversing the disastrous down-trend of farm income, steadily increasing production, and the continuous build-up of Government-owned surpluses of feed grains which were the principal results of the Benson agricultural policies.

In his testimony before the House Committee on Agriculture on Feb. 21, 1961, Secretary of Agriculture Orville L. Freeman set forth the purposes of the feed grain program as follows:

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"First, it will assure increased income for participating farmers in the important feed grain sector of our agricultural economy.

"Second, it will assure the consumer of fair and stable prices for meat, poultry, and dairy products.

"Third, it will cost the taxpayer some \$500 million less than the present program.

"And fourth, it will reduce the Government's holdings of feed grains."

The program has met all of these objectives.

1. Increased income for participating farmers. Net farm income is up 9 percent -- partly because of the feed grain program. Farm income prospects for next year are equally good -- also partly as a result of the feed grain program. Not only farmers, but rural communities, processors, and others who sell to farmers, benefit from improved farm incomes.

2. Fair and stable prices for consumers for meat, poultry, and dairy products. Retail prices for meat, poultry, and dairy products have remained fairly steady and have actually shown a modest decline during the period of the program.

3. Lower cost to taxpayer. Without the emergency feed grain program, the 1960 Benson program would automatically have applied to this year's bumper crop. Under that program the Department was required to support the price of feed grains to all producers without any limitation on production. Government outlays under the emergency feed grain program will be about \$500 million less than the costs which the Government would have incurred had the 1960 Benson program continued in effect.

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USDA 3703-61

4. Reduced Government grain stocks. Despite the record yields in 1961, the total carryover of feed grains will be reduced by about 200 million bushels -- the first reduction in surplus feed grain stocks since 1952. Continuation of the Benson program would have made total stocks of feed grains next year about three quarters of a billion bushels greater than now expected on Oct. 1, 1962.

#### FARM INCOME

Net farm income in 1961 is estimated to be up by \$1 billion -- or 9 percent above 1960. A substantial part of this increase is a result of the feed grain program.

The value of the 1960 corn and grain sorghum crop was \$4.4 billion. The value of the 1961 crop, together with payments for acreage reductions, is estimated at \$5 billion.

Only a small part of the feed grain crop in any year is sold for cash. Also, corn and sorghums are harvested late in the year, so that the income effects of the 1961 crop will be felt partly in 1962.

#### STABLE FOOD PRICES

The 1961 emergency feed grain program has not increased the price of food to consumers. In fact, over the January-September period, the retail price of meat declined about 1 percent; the retail price of poultry declined over 10 percent; the retail price of dairy products held almost constant. These are the principal food products affected by the feed grain program. Clearly the consumer has been protected under this program.

GOVERNMENT COST SAVINGS

If there had been no emergency feed grain program in 1961, production of corn and grain sorghum this year would have totaled about 4,850 million bushels -- more than 800 million bushels greater than is estimated in the November Crop Report. Without the emergency program, CCC stocks of feed grains would have increased by 490 million bushels. Under this year's program, CCC stocks will be reduced by 280 million bushels. Thus, CCC holdings Oct. 1, 1962, are estimated to be 770 million bushels less than they would have been under the old program.

If the 770 million bushels of grain were acquired by the CCC at support prices under the old program, the acquisition cost would have been about \$770 million. Also, CCC would have to pay carrying charges (storage, handling, transportation, and interest) amounting to \$972 million over the 10 year period it would have to hold these stocks in inventory before their ultimate disposition. The total of these expenditures would have been \$1,742 million.

If the Government were fortunate enough to recapture half the acquisition cost of these grains upon their ultimate disposition, the costs of the old program would have been reduced by \$385 million - to a net total of \$1,357 million.

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USDA 3703-61

These costs will not be incurred under the emergency feed grain program for 1961. However, they are partially offset by payments of about \$768 million to producers who diverted corn or grain sorghum acreage to conservation uses. Thus, as the Secretary said in February, the estimated reduction in Government cost by reason of the 1961 feed grain program is in excess of \$500 million.

REDUCTION OF SURPLUS STOCKS

Stocks of feed grain increased on the average 7 million tons per year over the period 1952-60, with the total carry-over increasing from 27 million tons in 1952 to 84.4 million tons in 1960.

Year	<u>Feed Grain</u>	
	Change in carry-over stocks	Carry-over at end
	- - Million tons - -	
1952	/ 6.9	27.0
1953	/ 4.7	31.7
1954	/ 7.4	39.1
1955	/ 4.2	43.3
1956	/ 5.6	48.9
1957	/ 10.2	59.1
1958	/ 8.6	67.7
1959	/ 6.9	74.6
1960	/ 9.8	84.4
1961	- 5.4	79.0

In 1961, under the emergency feed grain program, stocks will decline for the first time in ten years, with the expected total carry-over down from 84.4 million tons to 79.0 million tons.

This is an historic event; surplus stocks of feed grains are actually being reduced as Secretary Freeman predicted in February.

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USDA 3703-61



With this reduction and with further reductions in grain carryovers that may be anticipated under Administration programs, the cost of carrying surplus stocks will be reduced progressively in succeeding years. This is in direct contrast to the record of the past eight years.

Year	CORN AND GRAIN SORGHUMS	
	CCC Carrying Charges (Storage, handling Transportation and Interest) during fiscal year (Millions)	CCC Holdings at End of Marketing Year (Millions of bushels)
1952	\$ 38	236
1953	55	374
1954	114	690
1955	150	824
1956	208	949
1957	285	1,372
1958	376	1,675
1959	392	1,871
1960	396	2,044
1961	500	1,767

In other words, we are now paying at a rate of \$500 million a year for the mistakes of the past eight years on corn and grain sorghums alone.

#### SOYBEANS

Recent published reports have expressed concern about the record-breaking soybean crop this year. This concern is not shared by the Department of Agriculture.

A most significant fact about this year's crop of soybeans that is not usually mentioned by the self-proclaimed friends of the farmer who say "soybeans are in trouble" is the fact that the growers' gross income from the 1961 crop of soybeans will be about \$400 million higher than for last year's crop. A larger acreage, higher yields, and better prices all contribute to this result.

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USDA 3703-61



The anticipated carry-over of soybeans is desirable, particularly from the standpoint of national security in these uncertain times, and as a means of stabilizing prices. It has been agreed for many years that relatively large stocks of wheat and feed grains are essential to price stability and national security. Stocks of soybeans near next year's expected level -- only about a one month supply -- are equally essential. Soybean oil is needed also in the Food for Peace program which has expanded in 1961, and which will be equally important in 1962.

For P.M. Release Friday, Nov. 10

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UNITED STATES DEPARTMENT OF AGRICULTURE

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Statement Submitted by  
Charles Murphy, Under Secretary of Agriculture  
to the Subcommittee on Foreign Economic Policy of  
the Joint Economic Committee of the  
Congress of the United States

December 14, 1961

American farmers stand out in the world for their success in applying modern technology to the production of food and fiber. As a result, American consumers are being supplied with a great variety and abundance of agricultural products at bargain prices. I purposefully use the term "bargain prices" because nowhere else in the world will one hour of labor buy as much at the grocery store as it does here in the United States.

We take great pride in our efficient agriculture, but also we recognize that our agriculture will advance not alone but as an integral part of our advancing nation. In considering proposals for a new foreign trade policy, we cannot dissociate agriculture from the other important segments of our nation, including industry and labor.

The first consideration must be a foreign trade policy that benefits as a group the 185 million people who make up our nation.

Then, as a second consideration, there must be room within that policy to accommodate the special problems and requirements of agriculture, of industry, of labor.

Our trade program as it has existed since 1934 has supported the highest levels of exports, both agricultural and industrial, in our nation's history. But now there is need for a change. This should not come as a shock to anyone associated with agriculture. The history of American agriculture has been one of constant change, in our production and in our marketing. There are few American farmers who are doing things now the same way they did them ten years ago. The same is true of those who process and distribute farm products. We live in a world of change, and I believe that our agricultural economy, by and large, is prepared to support and participate

in change, provided that valid reasons exist for such change.

Today, not only valid but urgent reasons exist for making major changes in our foreign trade policy. When our existing trade agreements legislation was established in 1934, it gave us a useful new implement for gaining better access to foreign market. But implements become outmoded. What we urgently need now is a new implement, designed to be as effective as the old has been, but fashioned to meet new conditions.

The most immediate reason for recasting our trade policy is the emergence of the powerful new European Economic Community--the Common Market. The six EEC countries comprise the fastest-growing economic area in the world. Some of the seven countries comprising the European Free Trade Association are asking either to join or to affiliate--and this eventually could lead to development of the wealthiest trading area in the world. In its internal trade relations, Western Europe is well on the way to becoming a United States of Europe, one that presents a solid economic front to the rest of the world, one that must be dealt with as a single bloc.

As a nation, we must be able to live with and to trade with this new Europe. If we fail to do so, we will not only hurt ourselves economically, but also we will lend strength to the divisive forces that exist in the world today. With well over half of our national budget going for defense of our way of life, it is of paramount necessity that the United States and the new Europe stand strongly together, not only militarily but economically.

The United States, with our existing trade program, is not set up to work effectively with the European Common Market. This is serious. As the President has said of the Common Market, "It could be--it should be--our biggest, our most reliable, our most profitable customer."

The item-by-item approach that we currently employ in negotiating tariffs under the Reciprocal Trade Agreements Act is outmoded insofar as we deal with the European Common Market. The Common Market is so constituted that its administrators are able to negotiate effectively only on the basis of across-the-board tariff cuts. We must

be able to deal with the Common Market. Our Administration must have the kind of implement that enables it to negotiate flexibly and effectively. It does not have such authority in the existing Act. A new Act has become a necessity.

We in agriculture are particularly aware of the need to deal effectively with the Common Market. We have much at stake. In 1960, American agricultural exports to the Common Market had a value of \$1.1 billion. The Common Market eventually could include countries which now are aggregate customers for well over \$2 billion of our farm products.

We are also aware of the Common Market because we have some particular problems in dealing with it. In giving support to a new trade program, I do not want to leave any impression that a new program will immediately solve all such problems. But I do believe that a new approach will permit us to bargain more effectively now and give us a stronger bargaining position in the future.

As indicated, about one-third of our agriculture dollar exports goes to the Common Market. Another third goes to countries that could join or associate with the Common Market. Our stake is thus exceedingly high.

Our prospects for maintaining and even increasing exports of some commodities are good, but for others, they are more doubtful. The reason why prospects for grain and certain livestock products, for example, are doubtful is that there are strong tendencies within the EEC toward restrictive external trade in these commodities. Another factor that makes our prospects somewhat uncertain at the present time is that the EEC countries themselves have not yet agreed on their common agricultural policy, particularly price levels for these products.

Some of the Common Market countries wish to protect their grain and livestock economies by such devices as variable import levies, import licenses, and quantitative restrictions which would have the effect of insulating their producers from the effects of outside competition. There are others within the Community who recognize fully the need for the Six to take account of the trade interests of third



countries in establishing their agriculture and trade programs. The path they choose will have a strong bearing on our trade prospects.

This is the essence of our present concern with the agricultural policy of the EEC. We can hope to influence this direction on the basis of our existing agreements and compacts. We may also influence it as a great trading nation particularly if we equip ourselves with broad and effective negotiating powers that will make our vast market more attractive to our partners in trade. It is for this reason that American agriculture's stake in the President's trade proposal is very great.

The current negotiations with the EEC are not closed. We have a strong case, for the issue is potentially serious for the EEC as well. The EEC needs to sell to us. It has a rapidly expanding industry which must find outlets. Under the proposed new trade authority, we would be in much better position to bargain for access to EEC agricultural markets.

A reasonable but firm policy of using our total influence as a great trading nation will make liberal policies on the part of our partners appear more profitable to them. And a U.S. policy to this effect will be much more influential if it can be applied from the strength of the broad authorities of the President's proposals.

American agriculture stands to gain over the years from a strong, flexible, liberal foreign trade policy. Large amounts of many of our farm products are exported--half or more of our production of wheat, rice, and cotton; two-fifths of our soybeans and tallow; one third of our tobacco, hops, and flaxseed; and large amounts of vegetable oils, feed grains, lard, poultry, variety meats, hides and skins, and fruits and vegetables. Our exports of farm products are at record levels--\$5 billion annually, one-fourth of the nation's total exports. Seventy percent of this moves as dollar sales. As Europe and other dollar trading partners continue to increase their wealth, as the newly emerging parts of the world continue to develop their economies, as world populations continue to gain and purchasing power to mount, we need a foreign trade program that will enable us to achieve and to maintain maximum access to this

expanding world market.

Along with gains, it is true that the proposed new program could lead to some readjustments in American agriculture. In seeking to export, we also must import. However, these readjustments would not be of great magnitude. Certainly they would not affect the major parts of our agriculture which are strong and efficient. And we believe the gains would far outweigh the adjustments. We view these adjustments as a two-way proposition. We would not support, and we know the President does not have in mind, opening our gates to more foreign trade on a unilateral basis. We would expect bars to trade to come down in other countries.

Some of our agricultural commodities are produced under price support and other special programs. We would expect that under a new foreign trade policy, there would be continuation of the legislative protections against imports doing material damage to these agricultural programs. It is important that there be a clear understanding of the extent that these legislative safeguards have been used to protect our farm programs. At the present time, import controls are in effect under Section 22 on a relatively short list of farm commodities. These include cotton, wheat, peanuts, tung oil, and certain dairy products. Most of our farm products are protected against the effects of international competition only by fixed tariffs.

Because of our domestic price supports, some of our agricultural commodities have an export payment in order to make them competitive in the world market. We would expect under a new foreign trade policy that these payments, where required, would be continued. However, we would have to exercise the most careful restraints to insure that we do not use such payments to infringe on the legitimate shares of other friendly countries in world trade. As world demand grows, our exports can share in that growth. But in using export payments, we must be also sensitive to demand changes in the opposite direction.

American agriculture is today the world's largest exporter of food and fiber. Our farmers help to feed and clothe more of the world's people than any other ex-

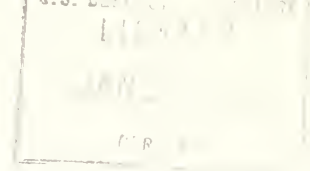
porting nation. This exporting operation is important to our farmers and it is a great service to humanity. I believe that the great majority of American farmers, as the President's proposals are further developed, will agree with me that these proposals offer new opportunities both to strengthen our agriculture and to share our products even more effectively with the consumers in other countries.

It is true that we can hardly be liberal in our trading policies if other nations are increasingly restrictive. But there is also the hard fact that today we are a world leader. In a position of leadership, we have no alternative but to lead. The President's proposals give us opportunity not merely to inspire, but to insist that the entire Free World gain in strength through liberal, dynamic sharing of its products. In this sharing, American agriculture has little to lose and much to gain.



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U. S. Department of Agriculture  
Office of the Secretary



FOOD IN RELATION TO FOREIGN TRADE AND FOREIGN POLICY

This afternoon we want to explore with you the aspects of our conference, Food and People, as it relates to our foreign policy and our foreign markets.

How can we best use our agricultural abundance and our agricultural know-how abroad as well as at home? This question poses both an opportunity and a challenge. We are now on the threshold of an era when no one needs to go hungry--at least in the free world.

Let us consider the world picture for a moment from the standpoint of American agriculture.

First, we have the U.S. with its ability to produce far more than its own needs.

Second, there are other industrialized countries that have a need for more agricultural products than they produce. They have the ability to pay. They are our trading partners and provide our commercial markets.

Third, there are the less developed countries. Typically, these countries, although agriculture is their principal industry, still are not able to produce enough adequately to supply the needs of their people.

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Address by Under Secretary of Agriculture Charles S. Murphy at the Conference on Food and People, Thomas Jefferson Auditorium, U.S. Department of Agriculture, Washington, D. C., January 10, 1962 at 2:00 P.M.(EST)

How can we best use the superlative productive ability of U.S. agriculture to meet the needs of people all over the world and at the same time see that the people in American agriculture are properly rewarded?

When we speak of food and people--we have people at both ends of the line. Consumers are people but so are producers, and we have a primary responsibility to them. The question is how to achieve the greatest good for the greatest number?

American agriculture is based on "family farms". We want to keep it that way. Our responsibility is to see they get fair treatment. At the same time the American farmer is ready and willing to share the abundance of his labor, his know-how, and his institutions with other freedom loving farmers everywhere. Fitting this pattern together--developing programs that protect the interests of Americans, and at the same time making use of our agricultural abundance and know-how in aiding less developed countries--is not a simple matter. It requires our best effort and imagination.

You can't do it just by getting out and selling, selling, selling.

Neither can you do it by just giving, giving, giving.

Nor can you do it simply by controlling production and forgetting about consumption.

And finally, you can't do it just by forgetting the whole business and turning everything loose to seek its own level.

We must have an approach in which all these elements have a part and in which they are fitted together to make a sensible whole.

This then is our challenge and our opportunity.

During the war we had a slogan "Food Will Win the War and Write the Peace". This statement dramatically sums up the role of food in war and peace. We won the war, and certainly the superhuman efforts of our farmers in providing the food and fiber for ourselves and our allies was a major factor in that victory.

Food has shown itself to be equally important in waging peace. That struggle still goes on, and adequate food supplies for all the world's people is surely a necessary condition for final victory in the establishment of a just and durable peace.

We are so preoccupied with problems of managing our abundance that we are likely to forget how fortunate we are.

For a large fraction of the world's population, food shortage is a very real problem. Diets are nutritionally adequate only in 30 industrialized nations in the temperate Northern area of the globe which accounts for one-third of mankind--something more than 900 million people.

In most of the 70 or so less developed nations in the semi-tropical and tropical Southern area, diets are nutritionally inadequate, with shortages of protein, fat, and calories. These countries contain two-thirds of the world's population or over 1.9 billion people. In most of them, population is expanding rapidly, malnutrition is widespread and persistent.

The foreign policy of the United States is committed to helping those countries who share our basic philosophy of individual freedom and human rights to improve their economic well being.

Food aid is one of the effective means whereby we can assist these developing nations in their goals of economic growth and better standards of living for their people.

No country has ever achieved rapid economic growth while faced with a food shortage. Where food shortages exist, foreign exchange, no matter how scarce, must be used to meet minimum essential requirements of food, unless outside aid in the form of food is made available.

All of the less developed countries are primarily agricultural. Generally speaking, 70 percent and over of their population earn their livelihood from agriculture. The first consequence of steps to industrialize, unless more food is imported, is to aggravate the food shortage. As workers are employed in industry their income increases. One of the first things they do with their added income is to buy more food, if it is available. If it is not, then prices of the existing food supply are bid up, and inflation follows.

Congress has wisely recognized the role which food can play in international aid programs by passing Public Law 480. Mr. McGovern, Director of Food for Peace, will discuss these aspects of food in our foreign policy in more detail.

Food is not the only contribution which our agriculture industry can and does make to our foreign policy objective of assistance to less developed countries. We are also sharing our technical know-how. Food donations and sales on special terms can be effective in meeting emergencies and in supplying urgent needs during the interim period of development. In the long run, however, these nations must win the

battle against hunger by increasing their own agricultural production.

The fantastic productivity of American agriculture reflects in large part the American farmer's application of technology. If we can spread this technology widely among the farmers in the less developed parts of the world, we can actually look forward to the day when hunger and malnutrition would be banished from the face of the earth. But you say farmers in most of these countries lack the capital resources which the American farmer has. That is true, but much of the technology which is at the disposal of the American farmer requires little capital investment, at least by the farmer himself. Improved cultural practices, better seeds, proper use of water in irrigation and similar techniques would increase agricultural production in most parts of the world fantastically with little or no capital outlay. To cite but one example, the Japanese have found that if rice seedlings are planted in rows where cultivation and weeding is facilitated, yields are greatly improved. Probably the greatest help we can give these developing countries is to share with them our agricultural know-how.

But we might ask ourselves: Are we interested in the economic development of these countries? Why should we help them expand their agricultural production when we have problems of finding markets for our own agricultural output? And aren't we being inconsistent when

we curtail our own production while at the same time we extend aid to other countries in expanding their production?

The first answer as to why we should help these countries must be, I think, because it is right to do it. The nations of the world are so inter-related and inter-dependent that we can no longer be sure that peace can be maintained with one-third of the world well-fed, and two-thirds of the world hungry.

A second reason for doing it is simply because it is good business.

If by providing food and technical assistance to help developing countries increase their own agricultural production, we accelerate their economic growth, then we hasten the day when they can become commercial markets for our agricultural exports. This is not an idle dream. Italy and Japan, in the early post-war years, were beneficiaries under our aid program. Now both countries represent dollar markets and Japan has moved into Number One position as the major overseas market for our agricultural exports. Five years ago no one would have dreamed that Spain would soon represent a cash market for U. S. soybean oil and wheat. Yet in 1960-61 Spain purchased 133 million pounds of soybean oil and 438 thousand tons of wheat for dollars.

The analogy between Japan, Italy and Spain and the less developed countries of Asia, Africa and Latin America cannot be pushed too far, but there is enough evidence to indicate that if economic growth is accelerated many of these densely populated countries will increase

their own agricultural production.

This brings me to the second topic I want to discuss--the agricultural aspects of our commercial foreign policy. American farmers have a large stake in foreign markets.

About one acre of every six harvested produces for export. The output of approximately 60 million acres of U. S. cropland moved abroad last year. This means that the United States exported somewhat more than the equivalent of the entire harvested output of Minnesota, Iowa, and Missouri.

Exports last year accounted for half the U. S. output of cotton, wheat, rice, and dried peas; two-fifths of the output of soybeans and tallow; about one-third of the output of tobacco, hops, flaxseed, and non-fat dry milk. Large quantities of other agricultural items such as feed grains, fresh, dried, and processed fruits, poultry meats, and variety meats added significantly to the total.

Agricultural exports set value and volume records in the last fiscal year. Value exceeded \$4.9 billion, 9 percent above the previous year's level and 4 percent above the prior record in 1956-57 when exports were stimulated by the Suez crisis. Indications are that agricultural exports during the current fiscal year will set another new record--probably in excess of \$5 billion.

How has this phenomenal level of exports been achieved? Obviously it hasn't just happened. It has been influenced by many factors, some



of which have not been the result of a consciously chosen policy-- others which have been the direct consequences of policy decisions.

Economic and political forces overseas affect our export possibilities for agricultural commodities. The developed countries of Western Europe together with Japan constitute our major cash markets. These countries have experienced a phenomenal economic growth during the past decade and this growth increased their demand for U.S. food and fiber. The increase in U.S. feed grain exports were the dramatic results of this increased overseas demand. Our exports of feed grains amounted to only 4.2 million tons in 1951-52. In 1960-61 they had climbed to 11.5 million tons.

Another major factor in accounting for our volume of exports has been the policy of pricing our agricultural exports competitively.

In order for some of our major farm products such as wheat, cotton, and rice to compete in world markets, the Commodity Credit Corporation makes export payments in cash or in kind or sells stocks at less than domestic market prices. Of the \$4.9 billion exported last year, an estimated \$2.3 billion worth (or about 45 percent) moved under competitive pricing arrangements costing about \$647 million excluding foreign donations valued at about \$290 million. Of the \$2.3 billion receiving export price assistance, \$1.3 billion worth moved under government programs.



We have tried to act responsibly in administering these programs with due regard for the interest and welfare of friendly competitors. We believe we have succeeded.

A third factor accounting for our large exports has been the market development work conducted by the Department of Agriculture and cooperating trade groups.

Through our world-wide agricultural attache service operated by the Foreign Agricultural Service, the Department of Agriculture provides a constant flow of agricultural intelligence which is put at the service of American agriculture. The information gathered includes facts on production, trade, consumption, prices and market opportunities--to mention only the highlights. It is a part of the agricultural attache's job to keep abreast of and report any governmental actions which may affect market opportunities for U.S. farm products. Changes by foreign governments in tariff, quotas, sanitary, and packaging requirements change marketing opportunities. We are constantly on the alert for such changes, and where adverse effects on trade may result, we make representation through appropriate channels to get unfavorable measures corrected.

Some of the newest and most effective market development activities are the market promotion programs in foreign countries carried out in cooperation with U.S. agricultural trade groups and foreign cooperators. These programs are financed by foreign currencies

generated by PL 480 sales and the contribution of the cooperating groups. More than 40 agricultural and trade groups are cooperating with the Foreign Agricultural Service in over 50 foreign countries under this program. Virtually every conceivable merchandising and promotional technique is used at one place or another and for one commodity or another to increase the sales and acceptability of U. S. agricultural exports. Wheat producer groups have carried out programs to increase the acceptability of wheat products. Quick-frozen, ready-to-cook American poultry has been successfully introduced into Germany and Switzerland. Consumption of cotton textiles has been promoted in virtually all the major countries of Western Europe and elsewhere.

We must and we shall continue a vigorous market program aimed at expanding even more our dollar sales. The prospects of continued economic growth not only in the industrial nations which now make up our principal dollar markets, but also in the developing nations as well, give us reason to believe that with sufficient effort we can further expand our dollar sales.

But if foreign trade in agricultural commodities is to continue to grow, international trade policies must be favorable to such growth. Developing the ground rules for international agricultural trade presents special problems because of the traditional protectionist

attitude of nearly all countries toward agriculture. Most industrialized countries like the United States have special programs designed to protect the incomes of farmers. These in turn require devices to prevent abnormal shifts in world trade. Without such devices, for example, the United States would attract butter imports by its dairy support prices. On the other hand, a food importing country by pursuing a policy of extreme protectionism may artificially stimulate production, raise food prices to its consumers, and choke off traditional markets of exporting countries.

These facts cannot be ignored, neither are they likely to disappear overnight. Our job is to work out reasonable rules to govern trade in agricultural commodities taking these facts into consideration.

A rational system of trade in agricultural products among nations depends upon fair play and mutual consideration. The United States is doing its best to pursue a liberal policy of agricultural trade. The framework in which this policy has been carried out is the Reciprocal Trade Agreements Act of 1934. Under the authority of that Act, we have successfully bargained with other countries for mutually beneficial tariff reductions. Trade is a two way street and we have had to give concessions to get access to markets for our own agricultural and industrial products.

This reciprocal trade program has served us well. We are living in dynamic times, however. If there is one thing that characterizes

foreign markets and foreign trade policy, it is change. In the months ahead, we must subject our trade policy to searching examination with a view to adjusting it to meet the conditions of the 1960's.

The most immediate reason for recasting our trade policy is the emergence of the powerful new European Economic Community--the Common Market. The six EEC countries comprise the fastest-growing economic area in the world. Some of the seven countries comprising the European Free Trade Association are asking either to join or to affiliate--and this eventually could lead to development of the wealthiest trading area in the world. In its internal trade relations, Western Europe is well on the way to becoming a United States of Europe, one that presents a solid economic front to the rest of the world, one that must be dealt with as a single bloc.

As a nation, we must be able to live with and to trade with this new Europe. If we fail to do so, we will not only hurt ourselves, economically, but also we will lend strength to the divisive forces that exist in the world today. With well over half of our national budget going for defense of our way of life, it is of paramount necessity that the United States and the new Europe stand strongly together, not only militarily but economically.

The United States, with our existing trade program, is not set up to work effectively with the European Common Market. This is serious. As the President has said of the Common Market, "It could

be--it should be--our biggest, our most reliable, our most profitable customer."

The item-by-item approach that we currently employ in negotiating tariffs under the Reciprocal Trade Agreements Act is outmoded insofar as we deal with the European Common Market. The Common Market is so constituted that its administrators are able to negotiate effectively only on the basis of across-the-board tariff cuts. We must be able to deal with the Common Market. Our Administration must have the kind of implement that enables it to negotiate flexibly and effectively. It does not have such authority in the existing Act. A new Act has become a necessity.

We in agriculture are particularly aware of the need to deal effectively with the Common Market. We have much at stake. In 1960, American agricultural exports to the Common Market had a value of \$1.1 billion. The Common Market eventually could include countries which now account for well over \$2 billion of our commercial farm exports.

Our prospects for maintaining and even increasing exports of some commodities to this market are good, but for others, they are doubtful. The reason why prospects for grain and certain livestock products, for example, are doubtful is that there are strong tendencies within the EEC toward restrictive external trade in these commodities.

This is the essence of our present concern with the agricultural policy of the EEC--we can hope to influence its direction on the basis of our existing agreements and compacts. But our possibilities of influencing its direction will be greater if we equip ourselves with broad and effective negotiating powers that will make our vast market more attractive to our partners in trade. It is for this reason that American agriculture's stake in the President's trade proposal is very great.

A reasonable but firm policy of using our total influence as a great trading nation will make liberal policies on the part of our partners appear more profitable to them. And a U.S. policy to this effect will be much more influential if it can be applied from the strength of the broad authorities of the President's proposals.

If ~~the~~ special problems of agriculture are recognized, and a spirit of mutual understanding maintained, then I am confident we can work out reasonably satisfactory trade policies governing agricultural commodities. The ~~alternative~~--if there is too much chiseling for advantage, if every nation strives only for policies that serve its own special interests--is trade chaos.

The domestic agricultural policies of the U. S. take account of the fact we are an exporting nation. As an exporting nation, we seek to expand our commercial markets. We have no desire or intention



however, of doing this at the expense of the legitimate interests of our neighbors. We ask only the opportunity to compete fairly and without discrimination.

We are willing to apply to ourselves the rules of international trade we recommend to others.

We stand ready to consider along with other friendly nations international commodity agreements and other arrangements aimed at stabilizing world prices of agricultural commodities and normal patterns of trade. The United States is already a member of the International Sugar Agreement, the International Wheat Agreement, and we have indicated our willingness to join a workable International Coffee Agreement. We are ready to explore the possibilities of agreements for other commodities. It may be that some of the present vexing problems of access to markets can best be dealt with by means of international agreements.

Given a framework in which we have fair access to world markets, it is up to us to produce efficiently and market competitively. We are satisfied that American farmers and traders can do this.

In conclusion, let me assure you that the USDA is going to devote its best efforts to encouraging a growing trade and to obtaining a fair share of the world's markets for the people who produce food and fiber on American farms.



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U. S. DEPARTMENT OF AGRICULTURE  
Office of the Secretary  
Washington, D.C.

TOBACCO IN RELATION TO THE COMMON MARKET AND FOREIGN TRADE LEGISLATION

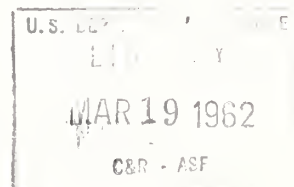
I was indeed pleased when your President asked me to talk to you about tobacco as related to the Common Market and foreign trade legislation. It is not often that I have the opportunity to address just the right audience at just the right time--but that is the case here today.

Having been born and reared in the heart of the flue-cured tobacco-producing area, I have always been keenly interested in economic developments affecting tobacco. Since assuming my present position in the Department I have been impressed by our highly successful tobacco program--it is envied by many other commodity groups. The success of the tobacco program has been due in no small part to the leadership and foresight of many of you present here today.

I can think of no group more appropriate to consider the problem of foreign trade than you tobacco producers and related trade groups. The history of the foreign trade of our country is closely identified with exports of tobacco.

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Address by Under Secretary of Agriculture Charles S. Murphy at the 15th Annual Meeting of Tobacco Associates, Inc., Sir Walter Hotel, Raleigh, N. C., March 6, 1962 at 11 A. M. (EST).



Tobacco growers and exporters have had close relationships with customers abroad throughout the history of this country. The first shipment of U. S. tobacco was made by John Rolfe 350 years ago from the newly established colony at Jamestown. This shipment was the beginning of foreign trade in the United States. Since that time, so many years ago, tobacco exporting has continued to be big and important. It has ramifications far beyond tobacco itself. Tobacco exports provide thousands of jobs, not only in the tobacco industry itself, but also in allied industries, including containers, trucking, fertilizer, etc.

The United States today is the world's largest exporter of flue-cured tobacco. During the last marketing season, 475 million pounds (farm sales weight) of flue-cured tobacco moved to foreign destinations. This was equivalent to 38 percent of the 1960 harvest. For the current season, we expect to approach that figure pretty closely.

The value of flue-cured tobacco exports in the last marketing year totaled \$321 million. That is big money in any language. And when one considers that we now export nearly \$100 million worth of cigarettes annually, it becomes all the more significant, since as you well know, flue-cured makes up a large proportion of the cigarettes made in the United States.

One of the most significant developments of recent years, which is bound to affect our tobacco export trade, is the formation of the European Common Market. We all are interested in the Common Market at this time because of its agricultural policies and their implications for tobacco exports.

In March 1957, six countries signed a treaty to form the European Economic Community, or Common Market, as it is popularly called. These countries were France, West Germany, Italy, Belgium, the Netherlands, and Luxembourg. In calendar 1961, we sold 101 million pounds (export weight) of flue-cured, with a value of \$67 million, to these six countries.

Today the United Kingdom, Ireland and other countries are seeking to join the Common Market. Thus, this important customs union could eventually include countries which together last year purchased 75 percent of total flue-cured exports.

With this brief review of the importance of the Common Market (plus its likely eventual members) to our flue-cured export trade, I would like to say a few words on the total Common Market concept.

One of our former Presidents recently said that the development of the Common Market is "the greatest breakthrough for freedom in the history of the world".

History no doubt will show that the creation of the Common Market was one of the greatest things that could have happened to Western Europe. It represents a logical extension of the progress that Europe has been making ever since the war.

At the end of the Second World War, Europe was flat on its back. We came along with the Marshall Plan and it transfused new life into all of Europe. Within a very few years, people were back at work, war damage had been repaired, and business was beginning to boom.

It is not unusual or unexpected that the countries of Western Europe should be getting together in this way. They are small countries and they

need to have close ties with one another. Take a look at the map and you see that France is smaller than Texas; West Germany and Great Britain each are only two-fifths the size of Texas. These countries, for centuries, have had artificial barriers between them. These barriers have been the source of suspicions and wars, they throttled business, and they have impeded general advancement. They had, eventually, to come down.

We helped to set the precedent for European countries to let down their mutual barriers when we adopted our own Constitution 175 years ago. The drafters of that great document, as you recall, wisely wrote into Article I the provision that commerce was to flow freely between our various States. This, in effect, set up a customs union of our own, and it as much as anything in our history has led to our own growth and development.

The Common Market may be fully in effect by 1970. Its development was set up on a basis of three successive stages, each 4 years long. The first stage has just ended and the second 4-year stage is just beginning.

The first stage has been very successful. Internal tariffs have been cut 40 percent. Labor and products have begun to move more freely between countries. Production has expanded dramatically and the area is enjoying a rate of economic growth considerably higher than our own.

The six EEC countries comprise the fastest-growing economic area in the world. Some of the seven countries comprising the European Free Trade Association are asking either to join or to affiliate--and this eventually could lead to development of the wealthiest trading area in the world. In its internal trade relations, Western Europe is well on the way to becoming a United States of Europe, one that presents a solid economic front to the rest of the world, one that must be dealt with as a single bloc.



The United States is enthusiastic about the growth of the Common Market; however, we have some concern regarding the effects of some of their agricultural proposals.

I am sure that this group knows much about our tariff problems in the Common Market. Prior to formation of the Common Market each of the six countries had a specific duty on tobacco. The original proposed external duty by the EEC was 30 percent ad valorem. This was later changed to a proposal of a 30 percent duty with a 13.2 cents per pound minimum and 19.1 cents per pound maximum. During the past several months it has been our objective to get a more favorable rate. We are especially anxious to get a lower maximum external rate. Results from the recent negotiations will be released in a few days.

The effect of the possible differential of a few cents per pound, in favor of most U. S. competitors cannot be appraised in detail until the rates have been negotiated and finalized; in general, however, the effect would be that the United States would have a decreasing share of an increasing market.

Not yet completely solved is the problem of what status the Overseas Territories of the Common Market members will have in the Common Market.

It is too early to state that the United Kingdom will become a member of the Common Market and to say what the terms or conditions will be if it does become a member. Commonwealth tobacco producers--principally Canada, India, and the Rhodesian-Nyasaland Federation--are the main competitors with U. S. leaf in the United Kingdom, where they have a duty preference. If the United Kingdom is admitted to the Common Market and Commonwealth tobacco

producers have any preference in the Common Market over third countries, such as the United States, then U. S. tobacco exports will suffer proportionately.

The Common Market proposals for duty on tobacco will adversely affect our exports in two ways:

First, by the end of 1967 tariffs on tobacco between member countries will be eliminated. This can make a big difference to U. S. tobacco exporters. For example, in 1957 tobacco from both the United States and Italy was subject to a tariff of about 19 cents per pound on the German market. If the currently proposed tariff rates become effective, in a few years Italian tobacco would enter the German market duty free while U. S. tobacco would be subject to the maximum external tariff rate on that market.

Secondly, the spread between the maximum and minimum proposed external tariff rate can adversely affect our tobacco trade. Because of its relatively high price U. S. tobacco will be assessed at the maximum rate. Competitive exporters who are nonmembers with lower priced tobacco would be assessed about 13.2 cents per pound. In the period ahead the United States hopes that the Common external tariff will be set at a low specific level or better still, eliminated completely.

The foregoing remarks may have sounded quite pessimistic. There are mitigating circumstances, however, which may enable us to do much better in the Common Market than some of us believed possible a year or two ago.

First, economic conditions in the Common Market are showing rapid improvement. People there have more money to spend, and they are beginning to enjoy many luxuries that they only dreamed of a decade ago. As population and wage rates rise, cigarette consumption is expected to increase--by at least 5 percent annually in the years ahead. This means a much bigger tobacco market than at present in these countries. We hope to be able to share in this growth.

Second, our tobacco markets in Western Europe are cash markets. Tobacco moves to them through regular commercial transactions. They do not need to depend on U. S. Government assistance to make tobacco purchases. With improved economic conditions, these countries will continue to be an even better cash market.

Three, with a booming economy and higher personal incomes, smokers in Common Market and other European countries will demand better quality cigarettes. These must necessarily include large proportions of our flue-cured and other cigarette tobaccos. For our cigarette leaf still remains the hallmark of quality, and we are the major source of light tobacco requirements.

Four, as barriers between the member countries are further removed, there will follow a movement of better quality cigarettes. For example, it is likely that more lighter higher quality cigarettes will be smoked in Italy and France, where dark cigarettes now dominate the market. Good quality U. S. leaf should benefit from this shift in the pattern of smoking.

Five, tobacco crops in Western European countries, including France,

Italy, and Greece suffered from a devastating attack of blue mold in 1961. It is likely that they will not immediately be able to take too much advantage of the preferential internal tariff in other Common Market countries.

My last reason for viewing prospects for tobacco exports with some optimism is one I want to talk about at more length. It is our foreign trade policy.

The direction our country chooses to take in its foreign trade policy will determine to a large extent the future of our tobacco exports.

You gentlemen are well aware of the significance of a high level of foreign trade--not only to the tobacco industry, but to all segments of our economy. Spokesmen for the tobacco industry have repeatedly voiced their strong belief in the Reciprocal Trade Agreements Act as a means of increasing two-way trade. They have stated on numerous occasions that they are vitally interested in measures which would contribute to the stimulation of a high level of international trade. They have recognized that the stimulus given U. S. tobacco exports by the dollar earnings made available through increased sales of foreign goods in this country, far outweighs any slight increase in U. S. tobacco imports that may have occurred from the gradual lowering of U. S. tariffs.

Not only tobacco exports are important to the economy of the flue-cured area, but also there are vast quantities of other commodities--both agricultural and manufactured goods--shipped abroad. For example, during the past fiscal year, the share of our total exports which we can attribute to the five major flue-cured producing states totaled \$1.8 billion. Of this total, farm products accounted for \$550 million and industrial goods about \$1,250 million.

Throughout history southern tobacco farmers have been closely linked with foreign consumers. Your tradition has been one of understanding the basic essentials of foreign trade. You have been among the supporters of national policies that encourage the expansion of trade. Passage of the new trade legislation will give U. S. officials the broad authority needed to help negotiate advantageous terms of trade for our tobacco.

On June 30, 1962, the negotiating authority under the last extension of the Trade Agreements Act expires. The President has recommended to the Congress a new instrument--a bolder concept than we have had heretofore. It is in keeping with the fast-moving times in which we live.

Basically, the President's trade proposals would extend his authority to enter into trade agreements for another five years. They would broaden his powers to reduce tariffs, and include special provisions for negotiating with countries in the Common Market. The proposals modify, but retain the principle of, safeguards against serious injury to U. S. industry and agriculture inherent in the existing provisions of "peril point" and "escape clause". They add provisions for trade adjustment assistance by which farmers, other workers, and firms suffering damage from increased foreign competition can be aided in their efforts to adjust to the competition.

One of the most important provisions of the bill is the following: "On any agricultural commodity or product thereof the President would be authorized to reduce the tariff without limitation provided he determines that this will insure the maintenance or expansion of exports of such commodity or product thereof." I recommend that the tobacco trade study this provision carefully. Its use would give us the opportunity to



bring tariff walls down substantially, provided we are willing to make similar concessions.

As a nation, we must be able to live with and to trade with this powerful new European Economic Community--the Common Market. If we fail to do so, we will not only hurt ourselves economically, but also we will lend strength to the divisive forces that exist in the world today. With well over half of our national budget going to defense of our way of life, it is of paramount necessity that the United States and the new Europe stand strongly together, not only militarily but economically.

The United States, with our existing trade program is not set up to work effectively with the European Common Market. This is serious. As the President has said of the Common Market, "It could be--it should be--our biggest, our most reliable, our most profitable customer."

The item-by-item approach that we currently employ in negotiating tariffs under the Reciprocal Trade Agreements Act is outmoded insofar as we deal with the European Common Market. The Common Market is so constituted that its administrators are able to negotiate effectively only on the basis of a cross-the-board tariff cuts. Our Administration must have the kind of implement that enables it to negotiate flexibly and effectively. It does not have such authority in the existing Act. A new Act has become a necessity.

We in agriculture are particularly aware of this need to deal effectively with the Common Market. We have much at stake. In 1960, American agricultural exports to the Common Market had a value of \$1.1 billion. The Common Market eventually could include countries which now account for about \$2 billion of our commercial agricultural exports.



This is the essence of our present concern with the agricultural policy of the EEC--we can hope to have some influence upon its direction on the basis of our existing agreements and compacts. But our possibilities of influencing its direction will be much greater if we equip ourselves with broad and effective negotiating powers that will make our vast market more attractive to our partners in trade. It is for this reason that American agriculture's stake in the President's trade proposal is very great.

A reasonable but firm policy of using our total influence as a great trading nation will make liberal policies on the part of our partners appear more profitable to them. And a U. S. policy to this effect will be much more influential if it can be applied from the strength of the broad authorities of the President's proposals.

If the special problems of agriculture are recognized, and a spirit of mutual understanding maintained, then I am confident we can work out reasonably satisfactory trade policies governing agricultural commodities. The alternative--if there is too much chiseling for advantage, if every nation strives only for policies that serve its own special interests--is trade chaos.

The domestic agricultural policies of the U. S. take account of the fact we are an exporting nation. As an exporting nation, we seek to expand our commercial markets. We have no desire or intention, however, of doing this at the expense of the legitimate interests of our neighbors. We ask only the opportunity to compete fairly and without discrimination.

We are willing to apply to ourselves the rules of international trade which we recommend to others.

Given a framework in which we have fair access to world markets, it is up to us to produce efficiently and market competitively. We are satisfied that U. S. tobacco farmers and exporters can do this.

In conclusion, let me assure you that the U.S.D.A. is going to devote its best efforts to encouraging a growing trade and to obtaining a fair share of the world's markets for the farmers who produce tobacco and other agricultural products.

U. S. Department of Agriculture  
Office of the Under Secretary

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I want to talk to you tonight about cotton. This is a subject on which I have been spending a lot of time lately, and I am glad to have this opportunity to tell you something about the views of the U. S. Department of Agriculture.

I wish to speak particularly about the prospects for new cotton legislation -- which are excellent. The reason why the prospects are excellent is because it is a matter of necessity. There are so many people who need cotton legislation so badly that they are simply going to have to get together -- submerge their differences -- and work to get a bill passed.

This may not be a very happy reason for passing a law, but it is a very powerful and effective one. Cotton legislation is badly needed.

There has been a need for new cotton legislation for some time. Changes have been needed particularly to enable cotton to compete more effectively with synthetic fibers in the domestic market and to make U.S. cotton textiles more competitive with foreign imports.

Under existing law, progress toward these particular goals might be made by reducing the support price. However, simply to reduce the support price would have a markedly adverse effect upon producer income. We have insisted and continue to insist on a program which will protect the income of cotton farmers.

Address on 'Prospects for Cotton Legislation' by Under Secretary of Agriculture Charles S. Murphy, scheduled for delivery at the 23rd Annual Meeting of the Agricultural Council of Arkansas, Hotel Peabody, Memphis, Tenn., Monday, December 3, 1962, at 6:30 p.m.

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The need for new legislation has been made much more acute by recent events.

First, there has been a sharp increase in imports of cotton textiles. For the first nine months of calendar year 1962, cotton textile imports were up 78 percent above the comparable 1961 period. Total imports of cotton textiles on a raw fiber equivalent basis were 502,000 bales in the first nine months of the year, which was a record level.

Second, there has been mounting evidence of the loss of cotton markets to competing man-made fibers. We hear of more and more cases where rayon and other synthetic fibers are being substituted for cotton. The production of man-made fibers for the first half of this year was 32 percent above a year earlier. While cotton consumption is also up moderately during the first six months of 1962      October the daily rate of mill consumption had dropped to 31,000 bales compared with 34,000 bales last year. Synthetic consumption, on the other hand, continued 22 percent above October of last year.

The third recent event which has added great urgency to the need for cotton legislation is the adverse finding of the Tariff Commission with respect to our recommendation for an import equalization fee on imported cotton textiles to offset the  $8\frac{1}{2}\phi$  per pound export payment on raw cotton. You will recall that this matter was referred to the Tariff Commission by President Kennedy upon the recommendation of the Department of Agriculture. It was our view that the difference in the cost of raw cotton to our own textile mills compared with the cost to foreign mills not only placed an unfair burden upon our textile industry, but also interfered with operation of the cotton price support program. However, the Tariff Commission found to the contrary, and so this avenue of relief was closed.

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USDA 4206-62

The adverse consequences of these recent events are pointed up by the fact that although the national acreage allotment for 1962 was reduced nearly 400,000 acres below the 1961 allotment, the carryover is increasing by over a million bales. In short, it has been made plain that we cannot sell cotton at 1962 price levels and also maintain the 1962 acreage allotments without an unwarranted increase in cotton stocks.

Into this situation, there came on September 6, 1962, a very powerful ray of hope. In fact, you might say it is far more than a ray. Perhaps it is more like a floodlight because it has completely changed the looks of the cotton picture. I refer, of course, to President Kennedy's instructions to the Department of Agriculture, from which I quote as follows:

"Thus, the inequity of the two-price system of cotton costs remains as a unique burden upon the American textile industry, for which a solution must be found in the near future.

"I am therefore requesting the Department of Agriculture to give immediate attention to the formulation of a domestic program that would eliminate this inequity. . . . Such a program will undoubtedly require enabling legislation.

". . . early in the next session of Congress I shall recommend legislation designed to remove the inequity created by the present two-price system."

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USDA 4206-62

Now, ladies and gentlemen, with leadership like this from the President of the United States many things begin to become possible that were far out of reach before. We begin now to see the shape of a cotton program that will not only equalize the competitive position of our own domestic textile mills, but will do far more than that -- a program which will increase the consumption of cotton, will make it more competitive with synthetic fibers, will assure the cotton farmer of a market for his crop, will stimulate business activity throughout the entire cotton industry, and (and this is very important) will also reduce the cost of cotton textiles to the consumer.

You will note that the President's instructions to us were couched in rather gentle terms. He said "I am therefore requesting the Department of Agriculture to give immediate attention to the formulation" of a program. I can assure you that a request from the President receives very respectful attention in the Department of Agriculture. We comply to the best of our ability, so when we got this request, we started to work.

We put our cotton experts in the Department to work exploring all reasonable possibilities for carrying out the President's request, and we also called our Cotton Advisory Committee to Washington to meet with us. This is a very fine committee. It has been my privilege to work with them rather closely during the past two years. This has been for me a very interesting and instructive experience -- and for the most part a very pleasant one.

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USDA 4296-62



The committee has 33 members who come from all parts of the cotton belt. It is a very knowledgeable group and, I believe, is fairly representative of the views of cotton producers from all parts of the cotton belt.

Although all segments of the cotton industry -- the ginner, the merchant, the exchange, the mill and others -- are represented on the advisory committee, a majority of the members are cotton producers. We believe this is as it should be because the primary responsibilities of the Department of Agriculture are toward the farmer. We are fully aware, of course, that the farmers' well-being is interdependent with that of the other segments of the cotton industry, and we want our activities to be helpful to all of them. The producer representatives on the advisory committee come from all sections of the cotton belt from California to North Carolina and represent varying points of view. While there are many things that these producers agree upon, there are others about which they do not agree and sometimes, as you may well imagine, the disagreement becomes quite vigorous.

This advisory committee met with us in the Department on Oct. 8 and 9. We talked for two days. I think it is fair to say that we had a full, free and frank discussion. At the beginning of the meeting, I obtained a unanimous consent agreement that no one would lose his temper on the first day. This agreement was adhered to. However, on the second day, things warmed up considerably. But the meeting proceeded without actual physical violence and came to a successful conclusion. I believe that we received from the committee some very significant advice. Its recommendations are reflected in a press release about the meeting which was issued on Oct. 9, and which reads as follows:

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USDA 4206-62

"The Advisory Committee on Cotton recommended today to the U. S. Department of Agriculture that a 'trade incentive' plan, combined with a choice program offered to growers for planting additional acreage if consumption warranted it, be considered for the 1963 and subsequent cotton crops.

"Legislation would be required for such a program.

"In a two-day meeting in Washington Oct. 8-9, the Committee also discussed statistics on relative changes in consumption of cotton and synthetic fibers, and considered the crop outlook, skip row planting, Public Law 480 Programs, and the export program.

"The Committee suggested that the trade incentive plan be designed to eliminate the inequity of the two-price system of cotton under which the American textile industry pays more for U.S. cotton than foreign users; to increase consumption, to provide the means to increase cotton acreage if necessary and to lower costs to the government.

"It was suggested that the program be formulated with freely negotiable Payment-In-Kind certificates to be issued to the last handler.

"Some form of a choice program for planting additional acres of cotton, to be incorporated in the suggested cotton plan for 1963 and subsequent years, could be put into effect by the Secretary of Agriculture, the Committee recommended, when it was decided that additional production might be required to meet domestic and world markets.

"Growers, the Committee recommended, could then plant additional acres equal to a percentage of their basic allotment and would receive approximately the world price for cotton produced on that acreage."

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USDA 4206-62

I did not prepare this press release, but since it has been issued, I have reviewed the transcript of the meeting and in my judgment the press release fairly reflects what transpired at the meeting.

Since October 9, we have had many discussions within the Department of Agriculture and with representatives of outside groups. I know that others who are vitally interested in cotton have been having discussions among themselves.

I have recently had the opportunity to confer on this matter with the Chairman of the Committee on Agriculture of the House of Representatives, and also with the Chairman and several other members of the Subcommittee on Cotton. The Chairman of the Subcommittee is the very able Congressman from Arkansas that we are privileged to have with us tonight, Mr. Gathings. We met this morning in his office in West Memphis with other members of the Subcommittee who are attending this meeting.

Cotton producers are fortunate to have so many members on the Agricultural Committees of Congress who are thoroughly familiar with cotton and vitally interested in its welfare. I think you can be confident that these gentlemen are going to provide the leadership needed to get the necessary legislation enacted. In my talks with them, I have reported on the work we have been doing and on our analysis of the problems and the possibilities. I have assured them that the Department of Agriculture will give them all possible assistance in developing new legislation to meet the urgent situation confronting the cotton industry.

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USDA 4206-62

We in the Department of Agriculture have also had preliminary discussions with the White House, the Bureau of the Budget, and the Council of Economic Advisers. We have thus been exploring as thoroughly and diligently as we could all phases of this matter. There have not yet been any final decisions as to the recommendations which the Department of Agriculture will make to the President. I will be glad, however, to give you some of my personal impressions as to how things are shaping up.

First, I would say that I believe there is a lot of support for a program generally along the lines recommended by the advisory committee, and I believe a program along those lines offers the best hope of obtaining enough agreement to get a bill passed quickly after Congress meets in January. Let me make it plain that I do not think anyone is going to get a bill that is exactly what he wants. I think everyone is going to have to give a little, and in my judgment anyone who does insist on having things exactly his own way is going to imperil the whole enterprise.

More specifically, I find very general agreement on a trade incentive plan such as the committee recommended to bridge the gap between the support price level and the effective price at which cotton is to be made available to domestic mills. The key element in such a plan would be equalization payments either in cash or in kind to someone other than the producers. This would be a most important component of the program to eliminate the inequity of the two-price system.

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USDA 4206-62

The other major component of the program lies in the area of possible changes in the price support program. As I said earlier, it is now apparent that we cannot continue both price supports and acreage allotments at 1962 levels.

The 1963 national allotment has already been announced at 16,250,000 acres. Under existing law, given the present supply-demand situation, this is both the minimum and the maximum permitted. Under present conditions, it could not be increased without new legislation. The support price for the 1963 crop has not yet been announced, but many people are saying that it must be reduced below 1962 levels.

When I think of the kind of legislation that would best meet this problem, I feel that I could not bring myself to recommend a program which would not allow a cotton grower to continue to receive price support at approximately the 1962 level if he were willing to take a cut in acreage. Similarly, I could not bring myself to recommend a program that would not allow a grower to continue to have as much acreage as he had in 1962 if he were willing to take a cut in price support. Inevitably, then, I find myself believing that a choice program is the best solution.

All growers are going to be called upon to make a contribution to placing the cotton industry on a sounder basis. It seems to me eminently fair to allow each grower to choose whether to make his contribution through reduced acreage or through a reduced price.

There are a number of administrative arrangements by which it is feasible to operate a program under which such a choice could be made.

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USDA 4206-62



I trust that any reduction either in acreage or price the grower is called upon to take will be only moderate in size, and I hope and believe that the increased markets for cotton resulting from this program will soon place cotton producers on a firmer and more profitable basis than at the present time.

The prospect of major action to eliminate the inequity of the two-price system and place the cotton industry on a sounder basis is welcomed by the entire cotton industry from producers through textile mills. Nevertheless, it creates an acute short-range problem. Because of the prospect of substantially lower prices for cotton to our domestic mills, there is a natural tendency to liquidate inventories and to withhold purchases except for immediate needs. This is true of the mills' customers as well as of the mills themselves. The result is, and will be until new legislation is enacted, that there is a considerable lag in the domestic consumption of cotton -- one which will soon result in near stagnation in the industry. In addition, it is important that authority be provided for permitting additional acreage under a choice program prior to planting time for the 1963 crop. This situation creates an imperative need for the enactment of new legislation at the very beginning of the next session of Congress.

Some people have felt that this new cotton program should make changes in the existing system for the release and reapportionment of cotton acreage allotments. I have given this matter much thought and have consulted many people about it. It is my considered judgment that it would not be practicable or wise to attempt to make this legislation a vehicle for substantially changing the provisions or effectiveness of the release and reapportionment system.

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USDA 4206-62



The distribution of acreage allotments could well stand re-examination. However, it is an extremely complicated subject, and one not free from controversy. I am inclined to think that any substantial changes in this field could be made, if at all, only after considerations extending over a very lengthy period of time.

Now, ladies and gentlemen, I have touched upon some of the salient features of present cotton problems and some of the possibilities in the new legislation. I have carefully avoided mentioning some of the more critical specifics of the new program because I did not know just what to say about them at this time. I do hope that what I have been able to say will help to clarify the outlook to some extent.

There is one other matter about which I would like to speak particularly -- the export price for American cotton. I have heard reports that potential foreign buyers have been holding back on purchases of American cotton in anticipation that there might soon be substantial reductions in the price at which our cotton would be available in foreign markets. I see no basis whatever in fact for any such anticipations.

The Commodity Credit Corporation has no intention of increasing the present  $8\frac{1}{2}\%$  export payment rate prior to the end of the current marketing year on July 31, 1963.

Neither is it anticipated that there will be any other change in the cotton export program which will result in any appreciable decrease in the export price of U.S. cotton prior to August 1, 1963. The law requires that

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USDA 4206-62

CCC make cotton available for export at competitive world prices. The present export payment rate and sales policies now appear adequate to achieve that purpose for the remainder of this marketing year. The issue of the export price of cotton should be distinguished clearly from the objective of the expected legislation, which is to reduce the effective price of cotton to U.S. mills. The purpose of that legislation is to eliminate the inequity of the present two-price system. Any reduction in the export price of U.S. cotton would not, of course, have that effect. There is no reason to believe, therefore, that the new legislation would result in any appreciable decrease in the export price.

In conclusion, let me say that I have greatly enjoyed the opportunity to be with you. When I return to Washington, I am going right back to work on this cotton legislation. We will be continuing our discussions within the Department and with other agencies in the Executive Branch of the Government. I hope that that the Department's recommendations to the President will be going forward soon, although I cannot give you an exact date.

I am sure that I share with all of you the hope that the Congress will speedily enact legislation -- in time to apply to the 1963 crop -- that will strengthen not only the cotton industry but the whole American economy.

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U. S. Department of Agriculture  
Office of the Under Secretary

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SUGAR AND INTERNATIONAL TRADE

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When my good friend, Irv Hoff, asked me to speak to you, I was delighted because of the very important relationships which we in the Department of Agriculture have with the sugar industry. I welcomed this opportunity to get to know you better.

Then your President told me of the very keen interest this group has in international trade generally -- as well as in the world of sugar. This makes me doubly glad to be here because it gives me an opportunity to talk about something that is very high on the current priority list of our Department -- a matter of utmost importance to our whole nation, and one that is far too little understood. I refer to the importance of agriculture to international trade. I wish to tell you of the critical importance this subject has come to have in the whole fabric of Free World unity and strength. The entire relationship of the United States to the European Common Market, and the relationship of the Common Market to other free nations, has come to depend to an extraordinary degree upon finding solutions for problems of agricultural trade.

But before going into that, I do want to tell you of the pleasure I had in working with representatives of the sugar industry on the new sugar legislation last spring and summer. I received at that time a very intensive indoctrination in certain aspects of your

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Address on 'Sugar and International Trade' by Under Secretary of Agriculture Charles S. Murphy, scheduled for delivery before the Sugar Club at the Downtown Athletic Club, New York City, Monday, December 17, 1962, at 12:30 p.m.

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industry. It was, I can assure you, a very interesting experience; and one which I believe came to a reasonably satisfactory conclusion. Perhaps no one is altogether happy with the outcome -- or can afford to admit it if he is. However, we do have a Sugar Act, and it is working. There may be a little creaking in the machinery here and there -- the Act does present to us in the USDA some new and not altogether simple problems -- but it is working.

In fact, the Sugar Act is working so well that the American Farm Bureau does not dare to attack it; and when you can say that about any farm law, that's a very, very high compliment.

Actually, we think the new Act will be very effective in helping us to accomplish our major goal in sugar legislation -- which is, of course, to secure a stable and dependable supply of sugar at prices that are fair to U. S. producers and reasonable to U. S. consumers. During the last few months, we have operated under the two novel provisions of the 1962 Amendments: the so-called global portion of the Cuban quota and the variable import fee.

I believe that we have now had enough experience with these provisions to say that they do work. All sugar exporting countries with which we are in diplomatic relations and which have most-favored-nation status can now compete to supply a substantial portion of our sugar requirements. From the viewpoint of supply assurance, which is of particular interest to sugar consumers, much needed flexibility is added to our system. During the last half of this year, the global quota sugar on which the full fee was paid balanced the arrival schedules of refiners

during periods when quota sugar was not being offered in sufficient quantities. It is my understanding that the mechanics for paying the fee, for earmarking quantities within the global quota, and for fixing the amount of the fee far enough in advance to accommodate the variety of commercial transactions which are prevalent in the sugar trade, have been worked out to the satisfaction of the merchants and other principals in sugar transactions.

I believe the global quota provision, by significantly broadening the market for world sugars, has contributed substantially toward the welfare of the countries of the world which depend upon sugar exports for a large part of their foreign exchange.

During the last two years, sugar production has been lagging behind world consumption rates. This is understandable in view of the low prices which have prevailed for world market sugars in recent years and the effects of political developments in some producing countries. Broadening the market for such sugar will tend to bring stability to the international market and to relieve the stress created by special sugar trading arrangements of a number of countries including, of course, the United States.

I do wish to commend your industry for the reasonable and rational basis on which it approached the matter of obtaining new legislation, and to express my pleasure for the opportunity I had to work with the industry's representatives in that regard.

Now, if I may turn to the subject of agriculture in international trade, I would like first to give you a few facts and figures.

The United States, as we all know, has a tremendously productive agricultural plant, and from that plant we are exporting about 15 percent of the production. This compares with about 8 percent of our non-farm production sold in foreign markets. For the year ending June 1962, agricultural exports reached a record total of \$5.1 billion. This is one-fourth of all the exports from the United States. We are the world's largest exporter of farm products.

During the past five years, the aggregate value of our exports of agricultural commodities exceeded our imports of such commodities by \$5.4 billion, and this amount is on the credit side of our balance of payments ledger.

We have consistently exported more competitive agricultural products than we have imported. This fact eloquently attests to the efficiency of American farm production. There are some who suggest that this balance is maintained through the use of extensive import controls on these competitive products. Let me correct this erroneous notion.

We have been fairly generous in past trade negotiations in granting access to our markets for competing agricultural products. These concessions have been granted in exchange for concessions we have obtained from other countries on our exports, often industrial exports. The results add up to a liberal trade policy on our part with respect to agricultural imports.



Import controls limiting the quantity which foreign suppliers can sell in the U. S. market are applied today on only five agricultural commodities -- cotton, wheat and wheat flour, peanuts, certain manufactured dairy products, and sugar. Moreover, the domestic production of all these commodities, except dairy products, is restricted. All other agricultural imports of the U. S., which include fresh and frozen beef and lamb, pork, a large variety of canned meat products, vegetable oils, fruits and vegetables, tobacco, and even feed grains, are permitted unrestricted entry and are subject to only moderate tariffs.

It is sometimes suggested that a more extensive use of export subsidies would substantially increase our agricultural exports and result in a significant contribution to meeting our balance of payments difficulties. We have used export subsidies primarily where needed to maintain our fair share of the world trade in certain commodities. We now make export payments on a limited number of products. We feel that if used indiscriminately, export subsidies could not only seriously disrupt orderly international trade, but could also endanger our balance of payments condition. Any undue disruption of trade patterns might bring about retaliatory measures not only against the subsidized product, but against our industrial exports as well. We are following, and propose to continue to follow, a responsible course in agricultural trade. We also feel that we should be able to expect our major trading partners to do the same.

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It is dollar exports -- trade with the so-called developed countries, and particularly with the Common Market -- that I would now like to discuss. In fiscal year 1962, Canada, Japan, and the U. K. were grouped closely together as the leading individual export markets for our farm products. Each bought about \$500 million worth of agricultural products. Also in 1962, as a group, the six members of the Common Market bought about \$1.2 billion of U. S. agricultural commodities out of total U. S. dollar exports of \$3.5 billion.

The rapid rate of growth and the booming economy of the Common Market, attributable no doubt in large part to its developing economic unity, have afforded us increased potential outlets for our farm production. Prosperity in Western Europe has brought increased demand for meat, poultry, milk and eggs -- a demand that has expanded livestock and poultry numbers. We foresee that as the economy of this area becomes more prosperous, there will be an ever-increasing demand for food and fiber. However, there is a grave question as to who will be allowed to supply this increasing demand -- and, indeed, as to whether the U. S. and other third countries will not have the doors of historic trade closed in their faces.

The prospects for a continued outlet for our agricultural exports will be determined in large part by the evolving Common Agricultural Policy of the EEC. We are disturbed by the mounting evidence that this policy will be regressive and trade-restrictive. We have been urging that the Common Market develop its Common

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USDA 4389-62

Agricultural Policy along lines consistent with the maintenance of international trade. By this we mean that it should formulate its agricultural policies so as to maintain a level of international trade consistent with principles of fair competition having due regard to its position as a major importer of agricultural commodities and a major exporter of industrial products. Such a policy is not only required in the interest of fairness to friendly agricultural exporting countries, such as the United States, but in the interest of the Common Market itself.

Industrialization in Western Europe has historically been aided by the importation of moderately priced agricultural and other raw materials from outside the area. Its industries as well as its consumers have greatly benefited from this practice. We want to see it continued. The formation of the Common Market has ushered in a new period of economic growth which can be continued and even accelerated if its consumers and its factories continue to have access to moderately priced agricultural imports.

Our hopes for liberal trade policies are being realized on some products. These are the products which the Common Market does not produce at all, or produces in small volume. These include cotton, soybeans and soybean meal, tallow, hides and skins, certain fruits and vegetables, and some other farm products. These commodities represent about \$700 million worth of our farm products shipments to the area. For these products, the EEC proposes to apply a fixed common external tariff. The prospects are bright that our exports of these products as a group will expand as that trading area expands. However, even for these commodities, trade is not entirely free of problems. For some products, the duties are still high.

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USDA 4389-62

For the remainder of our current trade with the Common Market, amounting to nearly \$500 million, we are concerned over the future prospects. This includes our trade in wheat and wheat flour, feed grains, certain meat products, poultry, eggs, and rice. The reason for this concern is the emphasis placed by the EEC's common agricultural policies on variable levies and minimum import prices rather than on fixed tariffs. This levy system is designed to make possible unlimited protection to domestic production and can readily be used for the deliberate purpose of achieving self-sufficiency.

It should be entirely clear that there is a vital difference between the import fee system we have for sugar and the Common Market's variable levy system. This difference is that we have guaranteed exporting nations a very substantial part of the U.S. sugar market--about 40 percent--and a share that is in line with past trade history. This is an extremely important contribution to keeping open the channels of agricultural trade--and one which was not accomplished cheaply or easily. There are a plenty of battle scars in this room that will attest to that fact.

We have no reason to be ashamed of the liberality of our import policies for agricultural products. If the EEC would only do for the world's wheat what we have done for the world's sugar--that is to keep its doors open for a share of the market in line with past history--that would be a responsible and satisfactory solution of this very difficult problem.

The first Community-wide regulations for agricultural commodities went into effect on July 30, 1962. The regulations for wheat, flour, feed grains, poultry, eggs, and pork--all items of important trade interest to the

United States--establish variable levies to replace the previously existing tariffs and other trade regulating mechanisms. These levies will vary from time to time and to the extent necessary not only to equalize the price of the imported products with the EEC's internal domestic prices but also to afford a price preference for the marketing of domestic production. Domestic prices, most of which are already high, will be fixed by government action. Under this system, a non-member supplier--no matter how efficient he may be--can never get a price advantage over the domestic producer when the variable levy is applied. It is the purpose of this device to equalize the cost of imports with the predetermined level of internal prices. EEC producers will be guaranteed a market for all they can produce at the price levels fixed by the governmental body. The pressures for high internal prices will be great. The use of this system to maintain high internal target prices could provide a powerful stimulus to uneconomic production and a substantial decrease of imports.

Wheat, flour, feed grains, and poultry products account for most of the value of the U.S. exports that will be affected by the variable import levy system. In the marketing year 1961-62, our exports to the EEC of wheat and flour were \$121 million; feed grains, \$271 million; and poultry and eggs, \$67 million. Trade data now available do not enable an evaluation of the impact of this system on our trade in wheat and feed grains since its adoption on July 30. Due to the over-protection afforded by this system, our trade in flour has virtually disappeared. There has been a substantial slowing down of our sales of poultry and egg products since July 30. This is due primarily to the application of levies and minimum import prices which has

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USDA 4389-62



resulted in an import charge of about  $12\frac{1}{2}$  cents a pound on poultry by West Germany, our major market, in place of a duty of about 5¢ per pound charged before July 30.

The combined value of these exports approaches \$500 million. The loss of any substantial part of this would have a serious effect upon our balance-of-payments position.

A comparison of import charges--where valid comparisons are available --clearly shows the extent of the increase in levels of protection for those commodities about which we are especially concerned. The following table illustrates selected examples of import levies in major markets for certain commodities before and after the Common Agricultural Policy became effective:

Import Levies (Dollars per M.T.)					
Commodity		Netherlands		Germany	
		Prior to July 1	After July 30	Prior to July 1	After July 30
Wheat	<u>1/</u>	3.19	33.25	42.50	61.25
Wheat flour		14.50	49.60	-	-
Corn		16.67	18.63	46.05	55.20
Barley		16.67	21.03	35.69	49.40
Sorghums		16.67	21.07	45.84	55.15
Poultry		-	-	<u>2/</u> 4.5 - 5.0	12.5 <u>3/</u>

1/ Fortified by mixing regulation (35% domestic--65% imported); mixing regulation no longer in effect under CAP (after July 30, 1962).

2/ Cents per pound.

3/ Levy of 9.7 cents per pound plus gate price differential of 2.8 cents per pound.

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USDA 4389-62



You can readily see how these radically increased burdens on U.S. exports could play havoc with existing trade patterns.

The amount of our trade threatened by the Common Agricultural Policy would be increased if the U.K. should become a member of the EEC. In fiscal 1962, our agricultural exports to the U.K. were about \$500 million. If the variable levy system of the Common Market were applied to the United Kingdom, it would affect \$130 million worth of those exports to the U.K. of grains and certain livestock products.

We have had numerous discussions with Common Market officials and pointed out that under their levy system, the key element is that of the level of prices set by the Community. We have urged that they demonstrate their declared intentions of following a liberal trade policy in agriculture by establishing moderate price levels for their grain products. This would retard expansion of uneconomic production and permit trade with efficient producers to continue.

There has been increasing emphasis by Community officials in these discussions on the need for international commodity arrangements to deal with some of these troublesome agricultural trade problems. On our part, we believe that international commodity arrangements merit consideration, if they are designed to preserve legitimate trade patterns. We are willing at the proper time to seek to negotiate such arrangements. We have indicated our desire that a meeting be called early in 1963 under the auspices of the GATT in an attempt to negotiate a grain agreement. Our objectives as an exporting nation would be to maintain reasonable access to the Common Market. This

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USDA 4389-62

might be accomplished by any one or a combination of several methods, including maximum limits on variable fees and assured import quotas.

We do not look upon commodity agreements as a substitute for normal rules governing world trade in farm products. Trade in the widest possible range of agricultural commodities and food stuffs should continue to be regulated by conventional means of moderate fixed tariffs, tariff quotas and limits on levies. We firmly believe that the international trade rules for agriculture should not be permitted to drift away from the rules which apply to international trade generally. In other words, countries should seek to carry out their trade policies in accordance with the provisions of the GATT, which apply to industry and agriculture alike.

We propose to insist upon fair treatment.

We have built into the fabric of highest U.S. policy a determination to preserve reasonable access to the Common Market for our agricultural products. For many months we have been expressing through diplomatic channels and publicly our apprehensions about the emerging EEC agricultural policies. Secretary Freeman, on November 19 before the Agricultural Ministers of the OECD in Paris, expressed these apprehensions most vigorously.

"We cannot," the Secretary said, "be internationally-minded in industrial areas of our respective economies, but nationalistic and overly-protective in the agricultural sector. Either the two great sectors must move forward together under liberal trade arrangements, or both will in time succumb to protectionism."

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USDA 4389-62

Under Secretary of State Ball repeated this U.S. policy the following week in Paris at the OECD meeting of Foreign Ministers.

It is only within such a framework that we will be able to use the Trade Expansion Act of 1962 to promote more liberal trade arrangements. We have a mandate by the Congress to use this Act to gain access for our agricultural commodities. This is evident from the provisions of Section 252.

It will be a great pity if Common Market officials fail to recognize that the trading countries of the free world will not permit agricultural trade to retreat behind high tariffs and protective devices. The expanded EEC would be a dominant factor in world trade in agricultural products. Friendly countries should be able to look to it to assume a proper position of responsibility and set a trade example which their trading partners can follow. These countries, as equally concerned as the United States over their agricultural trade with the expanded Community, are looking for U.S. leadership in the forthcoming tariff negotiations under the Trade Expansion Act. There is an increasing awareness that if this Act turns out to be a meaningless instrument in the field of agricultural trade, and the Common Market persists in providing excessive added protection for its own agricultural programs at the expense of outside suppliers, the consequences for all of us could be very serious, indeed.

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USDA 4389-62









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STATEMENT OF CHARLES S. MURPHY  
UNDER SECRETARY OF AGRICULTURE  
BEFORE

SEP 5 1963

C & R-ASF

THE PERMANENT SUBCOMMITTEE ON INVESTIGATIONS  
OF THE SENATE COMMITTEE ON GOVERNMENT OPERATIONS

My name is Charles S. Murphy. My address is Greenbriar Lane, Annapolis, Maryland. I am Under Secretary of Agriculture.

I have worked for the Federal Government for 26 years, first as a laborer in the Post Office in Wilmington, North Carolina, and then as a clerk in the Post Office in Durham, North Carolina, while I was going to school.

From 1934 to 1947, I worked for the United States Senate as a draftsman in the Office of the Legislative Counsel. My principal duties were to assist Senators and Senate Committees in drafting bills and preparing committee reports.

From 1947 to 1950, I was Administrative Assistant to the President of the United States, and from 1950 to 1953, Special Counsel to the President.

From 1953 to 1961, I practiced law here in Washington.

I have been Under Secretary of Agriculture since March 1961. It might be appropriate for me to outline briefly my duties in that position.

First, I serve as general "Number 2" man in the Department and have a general supervisory function for all of its activities and agencies. This includes, of course, not only the part of the activities of the Agricultural Stabilization and Conservation Service you have been studying, but all the other activities of that agency -- as well as the activities of the other 15 operating agencies of the Department. In addition to my general supervisory functions, I have been assigned various other special responsibilities.

Thus, my second major duty is the direct supervision of the Foreign Agricultural Service -- there being no Assistant Secretary to whom this function is assigned at present. This includes responsibility for the Department's activities in maintaining and expanding sales of U.S. agricultural commodities in foreign markets and includes the administration of a major part of the Food for Peace program under Public Law 480.

Third, I am Chairman of the Budget Committee of the Department of Agriculture.

Fourth, I am President of the Commodity Credit Corporation.

Fifth, I have been assigned special responsibility for supervising the commodity programs of the Department. This includes such things as fixing national support prices and national acreage allotments for tobacco, rice, peanuts, cotton, wheat, feed grains and other commodities. It also includes policies relating to the management and disposition of Government stocks of agricultural commodities-- and the purchase and distribution of commodities for the school lunch program and the direct distribution program for feeding needy persons.

Sixth, I coordinate and review the Department's staff work on major legislative proposals -- and review all departmental reports on legislation, about 800 of them a year.

Seventh, I am a member, and usually act as chairman, of the Program Review Board of the Department.

Eighth, I supervise the civil defense activities of the Department, which are very extensive.

Ninth, I review all marketing orders and amendments thereto before they are issued. There are several hundred of these a year.

Tenth, I am the Department's representative on the Trade Policy Committee, which is the Cabinet committee responsible for making recommendations to the President on foreign trade matters.

Finally, I serve as Acting Secretary in the absence of the Secretary.

These various responsibilities entailed an extremely busy schedule in the past fall and winter. The Secretary was away on an extended official trip in October and November 1961. During this period it was necessary to establish the national cotton allotment for 1962 -- a highly controversial matter -- which was set at over 18 million acres. A considerable readjustment of sugar quotas was required in late 1961 to stabilize the market. Sales of corn and sorghum under the 1961 Emergency Feed Grain Program required almost constant attention in order to prevent disruption of normal trade channels and market upsets. Much staff work was required on the farm legislation that was to be presented to the Congress. Work had to be completed on the 1963 Budget. Much work had to be done in fixing support prices for the 1962 crops. In December 1961 and again in January 1962, the President sent me to Europe for negotiations with the European Economic Community concerning agricultural exports.

I mention these examples because it must be apparent that in this position I cannot give detailed study to all of the decisions that must be made. Many decisions, some of great importance, must be made every day. While the responsibility is mine, and I accept it fully, I must rely on information, briefing and assistance from other Department officials whose specialized fields of concentration enable them to examine special problems more thoroughly.

Turning to the Estes case, I have had no participation in and no detailed knowledge of any matters relating to Mr. Estes except some of the decisions relating to his pooled cotton allotments and his membership on the cotton advisory committee.

Sometime at the end of August or beginning of September 1961, a Mr. Keith Walden of Tucson, Arizona, came to my office to inquire about cotton allotment transfers. Mr. Walden was interested in securing such transfers. He said he wanted to be sure to comply with all laws and regulations, particularly since he had heard rumors that some question had been raised about transfers secured by another cotton producer. In response to my inquiry, he said the producer in question was Billie Sol Estes. Mr. Walden's remarks were non-specific in nature and based wholly on hearsay. I made inquiries to determine if there was any basis in fact for his statements. These inquiries may have resulted in the memorandum of September 8, 1961, from Emery Jacobs, which is already a part of your record, although I have no actual recollection of having requested or seen that memorandum. In any event, I learned that a full investigation of Estes' cotton allotment transfers was already under way and that I would be informed of its results. This was done at a meeting on December 4, 1961, which was arranged by Mr. Godfrey to brief me on the problem.

According to my recollection, I also received a telephone call from Senator Yarborough, probably in the latter part of October, saying that a penalty had been assessed against Mr. Estes for excess cotton acreage and asking that I look into it. This was a normal request of the same kind we frequently receive from Senators and Congressmen. Upon inquiry of the staff in the Department, probably at a meeting in my office on October 19th, I learned that this apparently was the penalty of some \$48,000 with respect to the so-called Alabama acreage for which no allotment notices were issued. It seemed clear that this penalty was properly assessed, and I so informed Senator Yarborough.

At the December 4 meeting, I was briefed on the transfers that had been made from the eminent domain pool and the results of the investigation made by the Investigation Division of ASCS. I was also advised that as a result of a meeting held in Mr. Godfrey's office on November 14, 1961, the 1962 allotments had not been issued.

A general discussion was held in regard to the law relating to transfers of allotments from the eminent domain pool.

In the discussion, it was pointed out that the attorneys for Mr. Estes and other producers contended that the sale of land to displaced producers was bona fide, while officials of the Department felt there was a question as to the validity of the transfers.

As a result of the discussion, I asked the General Counsel to prepare a memorandum dealing with some of the legal questions involved.

The results of this meeting are further reflected in the memorandum from the General Counsel to me dated December 15, 1961, which has already been inserted in the record. It will be seen that this memorandum is basically a rejection of Estes' position that he was entitled to the allotments, subject to his right to appeal to the Review Committees and the courts. The actions taken pursuant to this memorandum and all actions taken by the Department thereafter in which I participated with respect to this matter have consistently maintained and protected the Department's basic position on this question while, at the same time, according what I believe to be every citizen's right - the right to a fair consideration of his case.

Specifically, it will be noted that the December 15th memorandum said "We understand that notices of 1962 cotton allotments are being withheld pending a final determination of this matter." The fact is that 1962 allotment notices

have never been issued to Estes, and therefore the Government has always been fully protected as to the 1962 crop.

Next, it will be noted that the December 15th memorandum indicated that with respect to the 1961 cotton planted by Estes on the so-called Alabama acreage, the marketing quota penalty had been assessed and paid. The Department has consistently maintained the position that this penalty was properly imposed and should be retained. The case, however, is pending before a Review Committee on appeal by Estes. It must be apparent that if an appeal is taken in the Alabama case, there was real reason for concern about appeals in other cases where the Government's position appeared to be substantially weaker.

As to that part of the 1961 crop for which allotment notices were issued, the memorandum said the erroneous notice rule would be applicable to the 1961 allotment for which cotton was planted in reliance on the notice and said "It appears that Estes acted upon advice of his attorney and relied solely on the notices of allotment erroneously issued by the county committee after approval of the State committee had been obtained. Therefore, no 1961 marketing quota penalty is involved for such plantings of cotton."



This language reflected the Department's understanding of the facts as of that time. I did not learn until April 1962 that most of the plantings occurred before the allotment notices were issued, and this means, of course, that the erroneous notice rule is not applicable in those instances. But at the time of the meeting of December 4, 1961, as well as the later meeting of January 6, 1962, it was my understanding that no penalty would be payable as to any of the 1961 crop except the so-called Alabama acres. It was also my understanding that this was not a policy question at all, but rather a result which followed as a matter of law from the facts as they appeared from the investigation report.

There remains the question of the allotment transfers themselves (as distinguished from the allotments for a particular crop). The December 15th memorandum recommended that action be taken to cancel these transfers.

It was recognized that any such cancellation would be subject to appeal by the producer, and that on appeal the producer might present evidence that could result in re-establishment of the transfer of the allotment.

On December 22, 1961, a conference was held in Mr. Godfrey's office, which I did not attend, where it was decided to proceed substantially in accordance with the General Counsel's memorandum of December 15, including cancellation of the 1961 transfers of allotment. Mr. Godfrey and Mr. Bagwell reported the results of the meeting to me. I concurred in this cancellation.

Thereafter, notice to cancel the allotment transfers to Estes was sent out on December 26, 1961.

On or about January 3, 1962, Congressman Rutherford of Texas called me by telephone urging that the Department was wrong in cancelling cotton allotments from the pooled acreage that had been transferred to Pecos and Reeves Counties. He said that while he had only recently become familiar with the matter, he had studied it with some care and he was convinced that the owners had a meritorious case. He said that he was not well acquainted with Estes but was well acquainted with Estes' attorney, John Dennison, and knew him to be a man of high integrity and honesty and a capable lawyer. He urged that a meeting be held to give further consideration to the matter, saying that the parties involved had spent substantial sums in reliance on advice they had received from State and county offices of the Department, and that in his judgment they were not being treated fairly.

The Congressman in no way suggested that the case should be considered on any basis other than its merits, but on the merits he urged that it be reconsidered.

I receive many requests to meet with Members of Congress and their constituents to discuss actions of the Department. To the best of my recollection, I have never turned down a request for such a meeting that

was seriously pressed. I have great respect for the Congress and believe that we should pay serious attention to the views of its Members. It is not at all unusual for them to ask that further consideration be given to some action of the Department which they feel may be unfair to their constituents. I have always made a conscientious effort to see that these requests are fully considered. That is what was involved here - a normal request for a meeting with a Member of Congress and some of his constituents. I consider it my duty to try to comply with such a request from any Congressman or Senator -- and to meet with them in good faith to give careful consideration to their point of view.

However, in this case I did express reluctance to agree to the meeting requested because of my very heavy schedule at that time. I finally said that I could meet with the Congressman and his constituents on the following Saturday if he felt strongly about it, and he urged that I do so.

Accordingly, I did agree to the meeting requested by Congressman Rutherford. He arranged for the attendance of those who came from outside the Department, and I arranged for the attendance of Department personnel. In order that the statements to be presented could be properly evaluated, and so that I could get the best advice available in the Department, I had the legal and administrative officials most familiar with the subject attend the meeting.

The meeting was held on January 6, 1962, in my office. Those present were Congressman Rutherford; Senator Yarborough; Alex Dickie, Jr., Administrative Assistant to Senator Yarborough; Billie Sol Estes; his attorney, John Dennison; Ed Jaenke, Associate Administrator of ASCS, who was acting as Administrator because of the illness of Administrator Godfrey; Joe Moss, Director of the Cotton Division, ASCS; Emery Jacobs, Deputy Administrator State and County Operations, ASCS; John Bagwell, General Counsel; Howard Rooney of the General Counsel's Office; and myself.

Estes, himself, had relatively little to say. He said that he had relied completely on the advice of his attorney to the effect that the manner in which the allotments were transferred from the pools was entirely legal. Dennison did most of the talking in presenting their position.

I asked if it was their position that the land transactions were really bona fide sales and purchases of land. They said very definitely that they so considered them. Dennison said that the contracts under which the displaced owners obtained the deeds to the farms from Estes were bona fide, that Estes was bound by the contracts, and there were no agreements between Estes and displaced owners other than the written contracts. He emphasized his position that these transactions were carefully checked with State and County ASCS officials in advance to make sure they complied with the Department's rules and regulations in all respects, and that they had actually been approved at both the State and County level. Dennison stated that he had obtained a copy of the Bridgforth memorandum of October 13, 1960, and believed that the transactions in question were legal in the light of that memorandum, that he was not aware at the time of the transactions that the form of contract they used had been disapproved in the Manwaring memorandum of December 20, 1960, and that he did not know that the transactions were being questioned until he learned that an investigation was being made by the Department.

Senator Yarborough stated that there seemed to be a genuine legal dispute, and that he hoped the Department would consider each case on its merits. Congressman Rutherford made the same request and mentioned the impact of any decision in the matter on the economy of West Texas.

There was a general discussion of the Review Committee procedure, and Dennison was told that it would be necessary to appeal within 15 days from the date of the cancellation notices concerning the pooled allotments. He stated that was his understanding of the situation, and said he would be hard pressed to prepare all the appeals within that time, and urged that he be permitted to prove the transactions were bona fide without first going to the Review Committee. Dennison was then told that the matter would be considered,

and he would be advised of the Department's decision by a telephone call to him at his hotel. He requested that any decision that was made also be confirmed in writing. By this time, it was past the lunch hour and the persons at the meeting not connected with the Department left.

The persons connected with the Department remained and discussed the case. It was decided that the 1961 allotment cancellation notices would be recalled for the time being and the Department would consider the matter further, particularly with respect to giving the parties involved an opportunity to prove the bona fide character of the alleged purchases of land. It was also tentatively decided that someone from the General Counsel's office and ASCS would check the Texas State Office and the county offices to get more information about how these cases had been handled. Dennison was then

informed over the 'phone by me on January 6th that the 1961 allotment cancellation notices would be recalled for the time being and the Department would consider the matter further. This was confirmed by telegrams on January 8th to Estes and the Texas State ASC Committee.

The temporary recall of the 1961 allotment cancellation notices was merely a procedural matter to make it unnecessary for the parties to prepare and file some eighty appeals at that time to preserve their rights in proceedings before the Review Committee. I believe it is an almost universal custom in legal proceedings to grant reasonable extensions of time upon request of the parties or their counsel, when time is not of the essence. That is what was done here. The position of the Department was not adversely affected in any way. Although it did not appear to me at that time that Dennison had presented any sufficient reason for the Department to change its position that the allotment transfers were invalid, nevertheless, it seemed, particularly in the light of their claims of hardship because of reliance on advice of State and county USDA officials, that they should have a reasonable opportunity to prepare and present their case.

To say that this action was a reversal of the Departments' position is to mis-state the fact. What was done was to preserve due process for a citizen, protect the possible interests of many small displaced farmers, and strengthen the Government's legal posture for any future court test.

It has been suggested that I overruled the General Counsel and Mr. Godfrey in the actions resulting from the January 6 meeting. This is not the case.



The General Counsel was in complete accord with this action. He does not regard it as in any way a reversal of or inconsistent with his opinion of December 15, 1961, recommending cancellation of the allotments; and I in no sense overruled him in arriving at this decision. He felt as I did that as matters then stood there was a likelihood that the transfers of allotments would be upheld by the Review Committees on appeal -- and in that event, with the Government having no further right of appeal, the allotment transfers would be validated not only for 1961 but also for all future years.

Mr. Godfrey also has told me that he does not regard the action taken as a result of the January 6th meeting as in any way a reversal of or inconsistent with our decision of December 22, 1961, to cancel the allotments. On the contrary, he thinks these actions strengthened the Government's position, particularly in view of his previous experience with Review Committees. While Mr. Godfrey was not at the meeting of January 6 because of his illness, he says he would have taken the same actions had he been there and the decision was up to him.

In the meeting of January 6th, when the sending of someone to Texas for a further check in the State and county offices was discussed, there was some discussion of who might be sent. The names mentioned included Howard Rooney, Emery Jacobs, and Thomas Miller. In view of the

assertions that Estes had relied on the advice of USDA officials in Texas, I said I thought we should send people who were thoroughly familiar with the cotton allotment program and who would be competent to appraise what had happened. I also told Mr. Jacobs, as the meeting broke up, that I would like for him to make sure that whoever was sent would be objective and able to find out what really had happened in the State and county offices. I had no further participation in the selection or instruction of the people who were sent to Texas. Mr. Rooney reported on the trip to Texas at a meeting in my office on January 19, 1962. This report did not clearly establish the truth or falsity of Dennison's claim that Estes had acted on the advice of the Department's State and local offices. However, the fact remained that the county committees did actually issue the allotment notices which lent credence to Dennison's statement that he did receive advice that the transfers were not legally objectionable.

In June 1962, I learned for the first time that Thomas Miller had filed a separate written report. I did not talk to Miller before he went to Texas or after he returned. I never saw his report until about June 15, 1962. His report did not in any way affect subsequent actions or decisions of the Department.

After hearing Mr. Rooney report on the trip to Texas, a proposed procedure was developed -- in the General Counsel's Office and the Cotton Division -- which would permit the seller to execute and file a "Seller's Certification of Bona Fide Sale of Land." This was a certification, under oath, that the displaced owner purchasing the land had paid in full the first annual installment on the purchase price, that such payment was bona fide and regular in every respect, and that the displaced owner was the bona fide owner of the farm to which the cotton allotment was transferred.

It was pointed out by the general counsel that the procedure for filing sellers' certification of bona fide sale would serve three very useful purposes:

(1) If the sales really were bona fide, it gave the parties a chance to establish that fact and prevent a possible injustice to them.

(2) If the sales were not really bona fide, it would help to bring out that fact and strengthen the Department's position in any cases that might be taken before Review Committees and to the courts.

(3) For the first time, the seller would be required to certify under oath as to the good faith of the transactions.

We felt a two-fold obligation: (1) To protect the interest of the United States, and (2) to deal justly with private citizens. We were just as anxious not to deprive citizens of anything they were legally entitled to as we were to make sure they did not receive something they were not entitled to. Our most important problem was to settle the validity of the allotment transfers for future crops -- permanently. If the producers could win before a Review Committee on the 1961 allotments, they would establish the permanent right to the allotments for 1962 and future years. This is why it was so important to strengthen the Government's case if the transactions were not in fact bona fide.

These ideas are apparent in the General Counsel's memorandum to me of January 31, 1962, recommending the certification procedure, in which he said:

"Although the contractual arrangements used by Estes appear on the face to be a scheme and device to sell allotments, we believe that Estes is entitled to support his contention by a proper certification that a displaced owner has actually, without subterfuge or side agreement, made the first installment payment on the purchase price of the land purportedly purchased from Estes."

"If such a certification is furnished by Estes it would appear to be proper to issue 1962 cotton allotments for any such displaced owners. It would probably be necessary to delay issuance of subsequent year's allotment notices until a similar certification is furnished with respect to each successive installment payment on the purchase price."

I call the Committee's particular attention to the first part of the first paragraph of the above quotation which reads "Although the contractual arrangements used by Estes appear on the face to be a scheme and device..." Could anyone fairly contend that this position would be reiterated by any agency seeking to assist Estes? The fact is, that barring proof which we did not believe Estes could offer, he would remain in the same position in which the December 26 notice had placed him. The Department's position in any subsequent court test, on the other hand, would be infinitely strengthened.

I have been informed by the General Counsel that he regards this certification procedure as entirely consistent with the views and recommendations expressed by him in his memorandum to me of December 15, 1961. He recommended or concurred in all the actions which I took as a result of the January 6 meeting. I think our General Counsel is to be commended for developing this very helpful procedure for cutting through the tangled and difficult situation with which we were confronted.

(more)

It has been suggested that a deadline should have been included for a return of the sellers' certificates. I agree this might have been preferable but I point out that nature itself provided a natural deadline. Time was of the essence to the producer but not to the Government.

I believe the meeting of January 6th and the actions taken as a result of it were of benefit to the United States. I think it was right to develop something that benefitted the United States as this did. I think it was right to give anyone -- including Billie Sol Estes -- a fair chance to prove his case.

The efficacy of this certification procedure was demonstrated within a few weeks. A number of the sellers, apparently not being in a position to establish that the transactions were bona fide by showing that the parties were going through with the original terms, began to seek the concurrence of the Department in a modification of the terms through a stretchout in the time for paying the purchase price of the land. The General Counsel, Mr. Bagwell, and possibly other officials of the Department, mentioned to me in March that they had been contacted by some of the parties to these transactions seeking relief of this nature. Mr. Bagwell has already testified before this Committee as to these facts. I did not ask that any consideration be given to these requests or that any action be taken with respect to them.

On March 21, 1962, Mr. Bagwell gave me a draft memorandum which he also has already discussed with this Committee. This memorandum discussed certain proposals that had been submitted to the Department for substituting a third party for the original purchaser and extending the payment period. The memorandum stated the General Counsel's opinion that bona fide substitution of parties under these proposals would be legally supportable and also stated that, unless I had objections from an administrative viewpoint, steps would be taken to have 1962 cotton allotments issued in all cases similar to these proposals.

When he gave this memorandum to me and described it briefly, it seemed to me to raise questions of such complexity that I did not want to make a snap decision on it, so I said I would need time to study it and think about it. Because of the urgency of other matters, it was some time before I had an opportunity to study this matter. When I did have an opportunity to study it, I did not approve it. But I was still concerned lest we deprive anyone of fair consideration of his rights.



Accordingly, I arranged for a discussion of the matter with appropriate legal and administrative officials of the Department on March 28, 1962. No decision was reached at this meeting. In fact, I believe that I was called away by other business before the meeting ended.

On March 29, as you will recall, Mr. Estes was arrested in connection with charges that he had defrauded 12 of the largest finance companies in America of \$30 million. Although his arrest was for actions bearing no relationship to his cotton allotments, it soon became apparent that he was a far different kind of man than we had been led to believe. This naturally resulted in a re-examination of all his dealings with the Department of Agriculture, including the whole problem of cotton allotments. As a result of this re-examination, the Secretary decided on or about April 12, 1962, that a cut-off date should be established for filing the Seller's Certification of Bona Fide Sale and that we should proceed with the cancellation of the allotment transfers in cases where the certification was not filed by that date. He also decided that we should not concur in the renegotiation of the purchase contracts.

Turning now to the question of Estes' membership on the cotton advisory committee.

A review of the facts relating to this question indicates a general consensus in December 1961 among people in the Department who were familiar with the case that there was not sufficient reason for dropping Estes from the committee.

In discussing this matter, I think that it will be useful if I review the history and the functions of the advisory committee.

The cotton advisory committee is one of more than fifty national advisory committees in the Department of Agriculture. The function of this committee and of the others, as their name implies, is merely advisory. They make no decisions for the Department; they neither consider nor are they made aware of any applications or requests by persons dealing with the Department; and they sit in judgment of no one. In short, these committees make recommendations as to general policy, and do no more. The cotton advisory committee did not at any time consider or pass upon pooled cotton allotments.

The committee has 33 members, mostly cotton producers. Fifteen States are represented in its membership.

Prior to the passage of the Agricultural Act of 1961, the cotton advisory committee was an informal group under the chairmanship of Dr. Alexander Nunn of Birmingham, Alabama, which advised Secretary Freeman with respect to cotton. Dr. Nunn as chairman maintained membership lists and issued the invitations to serve on the committee. The committee met in February 1961 and its next meeting was not held until July 17 and 18, 1961.

Estes was recommended for membership on the committee by Senator Ralph Yarborough in a letter dated January 27, 1961.

In advance of the July 1961 meeting of the committee, Dr. Nunn and I discussed the names of several additional persons, including Estes, whom Dr. Nunn might invite to serve on the committee. At that time, neither Dr. Nunn nor I had any knowledge or information concerning Estes except through Senator Yarborough's recommendation.

On June 8, 1961, Dr. Nunn wrote to Secretary Freeman recommending a number of persons, among them Estes, for membership on the committee. In referring to Estes, Dr. Nunn wrote:

"Billie Sol Estes from the Pecos, Texas area in Southwest Texas. He is a young man who was promoted for the Committee after the election and into the new year by Senator Yarborough of Texas. I have had a check made on him and I find that he is highly thought of. He was selected two or three years ago as an outstanding young farmer by the Junior Chamber of Commerce. He is now about 37 years of age."

With my concurrence, Dr. Nunn invited Estes to become a member of the committee, and he was added along with several other new members as of July 11, 1961.

After passage of the Agricultural Act of 1961, which specifically authorized the appointment of advisory committees, it was decided to convert the existing cotton advisory committee into a formal advisory committee under the 1961 Act. It was also decided to retain as members all the members of the prior committee except for a few who wished to terminate their service for various personal reasons.

In the course of an investigative check on members of the old committee who were to be retained on the committee, Mr. John E. Francis, of the Office of Personnel, made a report to Administrative Assistant Secretary Joseph Robertson recommending that Estes' name be dropped from further consideration at that time. This recommendation was based on Mr. Francis' understanding of a summary of the ASCS investigation report of October 27, 1961, concerning the transfer of the Estes cotton allotments. Although he called attention to the digest of an FBI file on another matter, he did not appear to attach importance to it.

At this time, the Department was considering the problem of the transfer of pooled allotments. Decision on the committee membership question was withheld pending further consideration of the allotment transfer problem.

The December 4, 1961 meeting of Departmental officials, which was held to brief me on the cotton allotment transfer problem, included the persons from the General Counsel's Office and from ASCS who were most familiar with the case and upon whom I should properly rely for advice. These people were all familiar with the investigation report of October 27, 1961. Also present was Mr. Joseph Robertson, to whom Mr. Francis' recommendation was addressed. Those present included

the following:

John C. Bagwell, General Counsel  
Edward M. Shulman, Deputy General Counsel  
Paul H. Rapp, Office of General Counsel  
Horace D. Godfrey, Administrator, ASCS  
Emery E. Jacobs, Deputy Administrator, State and  
County Operations, ASCS  
Charles M. Cox, Assistant Deputy Administrator,  
State and County Operations, ASCS  
Joseph A. Moss, Director, Cotton Division, ASCS  
Joseph M. Robertson, Administrative Assistant Secretary

At this meeting, as I have already stated, there was a general discussion of the allotment transfer problem, including the investigation report and the legal questions involved. Attorneys at the meeting expressed the view that no fraud or other criminal offenses were indicated by the facts in the investigation report.

I raised the question as to whether the circumstances as we knew them then justified dropping Mr. Estes from the cotton advisory committee, but no one indicated that he felt such action should be taken. The question of membership on the advisory committee was not resolved at this time.

In the days that followed, the General Counsel studied the allotment transfer question further, and as I have already stated made a report to me dated December 15, 1961, which I did not receive until later because on that date I was in Europe for negotiations concerning the Common Market and its potential effect on exports of our agricultural commodities.

After my return, Mr. Robertson came to me on December 21 and asked my advice on retaining Estes on the advisory committee. According to Mr. Robertson's recollection, Mr. Emery Jacobs was also present and pointed out that the cotton allotment problem apparently involved the question of possible civil penalties rather than possible criminal penalties; that Mr. Estes was a widely respected man in his community as evidenced by his appointment to a college board of trustees; that he came highly recommended to the Department by people from Texas; and he, Mr. Jacobs, recommended that Estes be retained on the Advisory Committee.

After some discussion, I told Mr. Robertson I thought Estes should not be dropped from the advisory committee. I advised as I did, in the light of information we knew then, for the following reasons.

I did not view the matter as an original appointment where the question as to whether a man was or was not appointed would have little public reaction. Instead, it was a question as to whether a man who had been and was then a member of an advisory committee -- a committee that carried with it public recognition, but no operational responsibility -- was known to have done anything to warrant being faced with public humiliation and suspicion as to why he should have been dropped from such a committee.

Mr. Estes was known to us then as a very respectable and highly respected citizen. We naturally looked at the facts known to us in



this particular matter in the light of what would be expected of an honest and respectable man.

It appeared that Estes had acted on advice of legal counsel throughout the whole matter. Estes and his attorneys contended that they had acted in accordance with the regulations, that the regulations did not prohibit what they had done, and that the State and county committees had approved what they had done by issuing the allotments.

The controversy did not suggest criminal conduct on Estes' part. The penalty for excess planting was a civil monetary penalty for excess marketing. Many growers overplant and pay such a penalty and are then free to market the cotton. The planting of excess cotton by Estes was not a crime and the penalties assessed against him are not criminal fines.

Mr. Francis' memorandum recommending that Estes be dropped seemed to indicate clearly that he thought offenses of a criminal nature were alleged against Estes. In retrospect, I have no doubt that I discounted the recommendation made by Mr. Francis because of my belief that he misunderstood the nature of the legal question presented.

Also, none of the officials of the Department with whom I had discussed the allotment transfer problem, and who were thoroughly familiar with the investigation report, had expressed the opinion that Estes should be dropped.

Obviously, this decision would not have been made in the light of what we know now. Events that have transpired since then, plus information that has been dug out by hundreds of investigators, have revealed much more about Estes' operations than it was possible for us to know then.

In retrospect, it is clear that it would have been wiser not to have kept Estes on the advisory committee. Back in December when he was generally regarded as a man of good reputation even though he was about to be penalized for overplanting cotton, my decision was based solely on what I believed was right. No one tried to bring any pressure of any kind. There was no favoritism. I would have made the same decision with regard to any other member of the committee had the circumstances been the same. If the decision was in error, it was an error due to my application of the principle that in balancing the power of Government against an individual citizen, the rights of the citizen should be given due consideration - even to the extent of considering him innocent until he has been proved guilty.

In summary, let me say--

1. All of the matters I dealt with concerning Estes came to me in the normal course of my duties as Under Secretary of Agriculture.

2. I dealt with all of them strictly on the merits as I saw them. My sole purpose was to protect the interest of the Government while according to citizens the rights to which every man - even including Billie Sol Estes - is entitled.

3. By the time this case was brought to my attention in the fall of 1961, it was extremely complex and difficult.

4. The issues involved in the cotton allotment transfers were primarily legal issues. I wanted to see that all citizens concerned, including Estes, got what they were legally entitled to--no more and no less.

5. I approved the cancellation of Estes' cotton allotment transfers on December 22, 1961. As a result of the "second look" taken at the request of Members of Congress in January 1962, more effective procedures were devised for determining the rights to which the parties were entitled. These procedures, far from being a reversal of the Department's basic position, have resulted in benefit to the United States by strengthening the Government's legal posture.

6. The Estes case has emphasized the extreme complexities and difficulties in administering programs involving millions of farmers. It has brought to light some faults in both communication and administration, shortcomings that have developed over many years. It has caused the Department to accelerate and intensify its efforts to achieve administrative improvements.

7. In the final analysis, the Estes case reveals that a man who by his twisting and turning was able to defraud major financial institutions

of many millions of dollars, was able to gain nothing by all his twisting and turning with the Department of Agriculture.

8. In our dealings with Estes, we exhibited no favoritism--only the fairness and justice that every American has a right to expect in dealing with his Government.

Finally, let me say that I don't think I ever saw Mr. Estes except at the one meeting in my office on January 6, 1962, and at the meetings of the cotton advisory committee he attended. I never talked to him on the telephone. Mr. Estes had very little to say at the advisory committee meetings I attended. To the best of my knowledge, pooled cotton allotments were never discussed in the advisory committee meetings.

A few weeks after Mr. Estes attended his first advisory committee meeting in July 1961, I received by express a small crate of cantaloupes - 6 or 8 as I recall - with a label indicating it came from him. I wrote him a note of thanks. Several weeks later, I received a second crate. I wrote him a second letter in which I said:

"Dear Mr. Estes:

We appreciated very much the cantaloupes you sent and were quite surprised when the second crate arrived. We have enjoyed them very much and, while we are most grateful for your thoughtfulness, I think we should ask that you not send any more. As you may know, the policies of this Administration with respect to the acceptance of gifts are

very stringent and, while I am sure that you have only the best of motives and intentions, I think it is best to avoid all possibilities of misunderstanding or difficulty, but they were mighty good cantaloupes and we do appreciate your thoughtfulness."

Except for these cantaloupes, I have received no gifts, gratuities or other benefits from Mr. Estes. No one has ever asked me or tried in any way to induce me to make any decision or take any action relating to Estes on any basis other than the merits.

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JAN 24 1963

It is indeed a pleasure to be here this morning.

C & R-ASF

First, it gives me an opportunity to thank personally those of you who actively supported the Food and Agriculture Act of 1962.

Second, I would like to discuss a matter that is of growing concern to the U. S. Department of Agriculture. I refer to the European Common Market and its possible impact on our farm economy.

Finally, I would like to look ahead at conservation's opportunities under the rural development program.

I believe we have here this morning a number of the Virginia supervisors who called on their Congressmen, urging endorsement of the 1962 Food and Agriculture Act. The Secretary and I -- in fact, everyone in the Department -- deeply appreciate this support. It exemplifies the positive leadership and readiness to act that have made soil conservation districts such a vital force in rural America.

Too often organizations who would support certain legislation hang back and do nothing. This cannot be said of the Virginia Association of Soil and Water Conservation Districts.

I hope you will continue to take an active role in agricultural affairs. The Department earnestly seeks your guidance, understanding, and support in its operations.

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Address by Under Secretary of Agriculture Charles S. Murphy at the Annual Meeting, Virginia Soil Conservation Districts, Marriott Motor Hotel, Twin Bridges, Washington, D. C., 11 a.m. Tuesday, January 15, 1963.

This support and guidance is especially needed in 1963.

As you know, one-fifth of our agricultural output goes to overseas markets. During the past year, we exported more than five billion dollars worth of farm products. Some of this was provided at low cost to underdeveloped nations through our Food for Peace program. But nearly three and a half billion dollars worth was sold abroad through regular commercial channels -- one-third of it to the six Common Market countries of western Europe. These countries -- France, Italy, West Germany, Belgium, the Netherlands, and Luxemburg -- are our biggest and best overseas customers, for industrial items as well as farm products.

Under the 1957 Treaty of Rome, these six nations agreed to merge their economies into a single customs union -- or common market.

Our government has applauded the move. No doubt history will show that formation of the Common Market, or the European Economic Community, as it is more properly known, was one of the greatest things that could happen to Europe. It is a catalyst that can -- in fact, already has -- injected new vigor into the Old World. Tariff walls have been drastically lowered between member nations, and they are to be removed completely before 1970. Capital and labor flow freely over what used to be closely guarded boundaries. Train passengers, for example, can now ride between Belgium and Germany without stopping for inspection of passport and luggage. National feelings and prejudices are giving way to common overall interests.

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USDA 104-63

The United States has supported the E-E-C concept in the belief that closer economic cooperation may ultimately lead to political union -- a United States of Europe. This, in turn, could be an essential part of the foundation on which East-West peace is built.

But in recent months, we have become increasingly disturbed by evidence that the Common Market countries are leaning toward a highly protectionist policy for agriculture that could seriously impair the prospects for the success of this whole enterprise.

They have drastically increased the import levies on some of our major commodities, to an extent that threatens to choke off a large share of our agricultural exports to these countries. The duty on our poultry going into West Germany, for example, has been increased from less than 5 cents a pound to more than 12 cents.

Virginia's 28 million-dollar-a-year broiler industry already is feeling the pinch of these higher import duties. Our exports of frozen poultry to West Germany have dropped to less than half their prior volume. And if it were not for the lingering effect of a devastating attack of blue mold on the French, Italian, and Greek tobacco crops, your State's 83-1/2 million-dollar-a-year tobacco industry might be losing customers because of the new common tariff imposed last winter.

It goes without saying that our agricultural exports are of the utmost importance, not only to you as farmers, but to our Nation as well. Loss of our European agricultural markets would jeopardize our security and foreign aid commitments around the world.

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USDA 104-63

Two decisions are expected this year which will have great impact on the future of the Common Market and international trade itself.

One is the question of Common Market membership for the United Kingdom. The other is the setting of grain prices for the Common Market countries under their common agricultural policy.

For 14 months, the United Kingdom has been negotiating for Common Market membership. Pressure is mounting for a decision this year.

I need not dwell on what it would mean to us, or to the Common Market, to have Great Britain become a member of the European Economic Community. She is the world's largest importer of agricultural products, and one of the leading producers of consumer goods.

A Common Market which included Great Britain and other European Nations now seeking membership would be an economic colossus with a population of 250 million. This exceeds the United States population by nearly 70 million.

Moreover, it is what is popularly called a seller's market. Individual buying power in the Common Market is on the increase, and there is a great, unsatisfied demand for automobiles, television sets, and other consumer goods.

The United States could ill afford to be walled from a bloc of Nations with such vast buying potential. And by 1970, economists estimate the gross annual output of an expanded Common Market will increase 170 billion dollars.

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USDA 104-63

The second decision I mentioned -- the grain price issue -- will have a profound effect on the course of history.

The Common Market may fix its internal price for wheat early this year. This is a critical decision. If the price is moderate, it will temper the movement toward an isolationist policy for agriculture, and perhaps signal the start of an expanded level of Free World trade. If the price is excessive -- and high protectionist walls are erected to limit competing imports -- the expansion of uneconomic production inside the Common Market would be accelerated sharply. This could lead to indiscriminate "dumping", or even an international trade war.

The six Common Market countries are, of course, trying to protect the income of their farmers. We can understand that. We do the same thing ourselves. Virtually every industrial Nation has experienced a growing disparity between farm and non-farm income, and has had to undertake corrective measures.

However, in trying to protect and improve farm income, responsible Nations must take into consideration the effects that their actions will have outside their own boundaries. The United States has used export payments to keep certain commodities moving on the open market. But we have used these payments only to maintain our fair share of the world trade. We have not tried to undercut other Nations, or take away their markets.

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USDA 104-63



As Secretary Freeman has said, "If we expect others to act responsibly when it comes to setting agricultural policies, we must continue to do so ourselves." And he added: "We are in complete sympathy with measures to protect the income and economic well-being of the farm segment of the (European) economy. We don't believe it necessary, however, to sacrifice international trade in the process."

The United States recently revamped its international trade policy to meet the jet age needs of the 60's. This was done through passage of the Trade Expansion Act of 1962. This Act gave the President the power to reduce our tariffs on imports from the Common Market in exchange for greater access to their markets.

In the debate which preceded enactment of the law, the Congress made it clear that we were to negotiate trade agreements which benefit our agricultural as well as our industrial products.

One section of the Act directs the President to take all necessary and feasible steps to eliminate unreasonable trade restrictions that any country, or group of countries, imposes on our farm products. These steps include withholding of concessions and most favored Nation treatment, and if necessary, retaliatory action.

The President has clearly indicated his firm purpose to see that the channels for agricultural exports are kept open, and you may be sure that one of the major purposes of the Department of Agriculture this year will be to support the President's efforts in this field.



Another of the Department's major goals for 1963 is to inject new vitality into rural America through creation of new economic opportunities and elimination of wasteful, outmoded land use patterns.

In formally putting the new Rural Areas Development program into motion last November, Secretary Freeman announced that local initiative and leadership would be "the first criterion" for Departmental help.

And he invited soil conservation districts to provide this motive power and leadership. I would like to emphasize the word "invited". You supervisors will determine the role played by the districts in developing and using the new conservation and rural development tools. This role can be as large, or as small, as you choose to make it.

We hope you will select the first course. Rural development is a vast undertaking, one that calls for talents and knowledge often unique to local soil conservation districts.

Think for a moment. How many organizations do you know that have your knowledge of what the local soil can do, what it is capable of? How many organizations know the resources that exist in your area? And by resources, I mean both human and natural resources. What other groups in your community know the area's problems, and have the organization and leadership to cope with them? Consider the difficulties a city engineer would have planning land use changes for a farming community.

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USDA 104-63

As you can see, soil conservation districts possess some unique qualifications. I hope you will put these talents to work and make rural development a success.

One of the first things that I would suggest you do is to modernize your working agreement with the Department of Agriculture as suggested by Secretary Freeman.

Many of these agreements were written more than two decades ago, and do not reflect the advances that have occurred in this field of soil and water conservation.

Today we are faced with new problems and new complexities. To cope with the resource problems of the 60's, we must re-evaluate our programs, and bring them up to date. We must use the new tools, as well as the old, if we are to create a better way of life in rural America.

When I say "rural areas," I mean more than farm country. Rural America is people -- people in towns and small cities as well as on farms and ranches. It is land, rivers, small streams, and forests. It is North, South, East, and West. It is, in fact, all our land, all our people, and all our wealth outside our urban centers.

Today many areas of rural America are in serious trouble. Their farmers and ranchers are living in a state of chronic depression. They work from dawn to dusk, producing more than ever before on fewer acres, but they are unable to buy the equipment they need to expand, or to make their

operation more efficient. The land has been drained of its wealth by erosion and unwise use. The nearby towns and cities long ago stopped growing, and fell into economic stagnation. With no job openings in the area, the brighter young adults move to faraway cities to find work.

The goal of the RAD program is to help the people in such local communities determine exactly what resources they have, then help them develop a plan that will make full use of these resources. Only in this way can we close the gap that exists between our urban and rural economies.

Farmers and ranchers are the backbone of our rural communities. The economy of the area revolves around them. If the farmer is prosperous, then the rural community where he shops is prosperous. If the farmer is in financial straits, then the town is, too.

But we must do more than develop family farms to get rural communities moving again. It takes new enterprises, expanded business opportunities, modern rural electrical systems, watershed development, rural housing, water and sewage systems, new outdoor recreational facilities and better schools.

One of the best ways to revitalize a community, short of a complete rural renewal job, is through a multi-purpose watershed project.

These multi-purpose projects can stop destructive floods and provide water for irrigation, municipal, and industrial use. They attract new industries, create water-based recreational areas, increase land values and protect and improve farmland.

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USDA 104-63

You have an outstanding example of what a watershed project can do right here in Virginia in the Mountain Run watershed project.

Mountain Run used to flood the city of Culpeper in the spring and fall, then dry up and leave her without water in the summer. The floods were bad, but the summer droughts were even worse.

Culpeper needed a new hospital, but the city couldn't build it, because it couldn't provide water for it. The Chamber of Commerce had been trying to get new industry to come to Culpeper. But with flooding in the winter, and droughts in the summer, industry wasn't interested.

Late in 1954, the city filed application for a watershed project. Five years and 545,000 dollars later, the project was completed. One multi-purpose structure stores 190 million gallons of water for municipal use, better than half a years' supply at the present rate of consumption.

The hospital has been built. Three new industries employing more than 400 people have moved to Culpeper, and other industries are making inquiries. Culpeper didn't have to go after those plants. They came to the city, once the flooding and water shortage problems were licked.

Now that the water mains have been extended, new homes are going up. The former unoccupied floodplain has become a shopping center, adding to the city's tax base. Conservation measures have put Culpeper's farmers on a sounder financial footing.

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USDA 104-63

A four-acre park was developed bordering one of the watershed structures, giving Culpeper citizens and visitors a place to fish, boat, and picnic.

The success of the Culpeper project is known far and wide.

There are already more than 70 small cities and towns like Culpeper benefiting from watershed projects. Another 453 communities have started similar projects, and 1,294 others have filed application for the same treatment. Our land is, and will be, so much the better.

Recreation is emerging as a use of the land that shows great economic promise. At the Regional Land and People Conferences, and in surveys conducted by the Soil Conservation Service and Forest Service, thousands of farmers described how they switched from conventional farming to outdoor recreation, and made it pay.

It is not surprising. The Outdoor Recreation Resources Review Commission reports that our parks, camping grounds, lakes, beaches, and highways are jammed with people searching for outdoor fun. Furthermore, the Commission says this demand will continue to grow, outstripping even our population boom. Where can they turn, but to our privately-owned farm and ranch lands?

The Department can now help farmers and ranchers develop recreational enterprises on their land. We also can cost-share on recreational developments in watershed projects.

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USDA 104-63

Just one month ago, the Agricultural Stabilization and Conservation Service announced plans for a pilot program to convert unneeded or unsuited cropland to other uses. These activities will be based on the basic farm conservation plan, and they will be carried out under long-term, cost-sharing agreements negotiated with the Department of Agriculture.

These are just a few of the new conservation and rural development tools provided by the past Congress. Loan authorities were expanded to include recreation and cropland conversion projects. ASCS was authorized to expand its list of cost-sharing practices in certain areas. The watershed program was enlarged to add as a purpose both recreation and water storage for future municipal or industrial uses.

I urge you to study these and the other new authorities and see how they can be fitted into your existing district program. They represent an orderly step forward in our efforts to keep soil and water conservation dynamic and attuned to the needs of a modern society.

This is the 25th anniversary year of the district movement in your State, the Tidewater district being the first in Virginia to sign a Memorandum of Understanding with the Department on December 16, 1938.

You have done much to make your rural communities a better place to live. Today you have an even greater opportunity for service. I urge you to seize this opportunity to help yourselves, and your community. Let us push forward together until we have built a firm foundation for permanent prosperity in rural America.

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U.S. DEPARTMENT OF AGRICULTURE  
OFFICE OF THE UNDER SECRETARY

MAR 14 1963

WORLD TRADE AND U.S. AGRICULTURE

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Feb 26, 1963

The distinguished poet, Robert Frost, once said that, "Home is the place where, when you have to go there, they have to take you in." So with that assurance, I have looked forward to your welcome. North Carolina is my home State. And it is very good to be back home.

It is a great compliment to be asked to speak to this group which is doing so much for North Carolina agriculture. It is very fortunate that your various farm organizations have found a way to work together in the Farmers Cooperative Council of North Carolina. Many other states are less fortunate. It is no secret that in some states different farm organizations fight each other tooth and nail. The result has been to prevent the establishment of programs badly needed by the farmers of those states and to endanger farm programs they already have.

The cooperation and unity you have achieved among farmers in this State is a great source of strength. It is a real protection against bad advice from strange voices. Can you imagine anyone coming into North Carolina and urging tobacco farmers to vote against the price support program in a referendum? No, and neither can I. They all know that you understand farm programs too well--based on long years of experience--to be deceived and misled by such advice. If you want to save your tobacco and cotton and peanut programs in the future, you will do well to continue to stick together and to reject the efforts of those who want to destroy all farm programs.

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Remarks by Under Secretary of Agriculture Charles S. Murphy at the 28th Annual Meeting of the Farmers Cooperative Council of North Carolina, Hotel Sir Walter, ~~Raleigh~~, North Carolina, on Tuesday evening, February 26, 1963.

One of the best things this Council does is to hold meetings from time to time with the North Carolina Congressional delegation in Washington. It is extremely helpful to them to know the extent to which the agriculture of the State speaks with a unified voice. I am sure this is true also with members of the State legislature, and it is a particular honor to have so many of them here tonight.

Many people are not aware of the importance of agriculture in North Carolina. Your advances in industry and commerce have tended to attract the major attention. But the fact remains that this is one of the leading farm states of the Nation--ranking eleventh in the total cash value of farm marketings. And as to farms and farmers, North Carolina has more farms--200 thousand--and more people employed--397 thousand--than any other State except Texas.

This leads me into the subject you have asked me to speak about, "World Trade and U.S. Agriculture." World trade is of great importance to all of U.S. agriculture. It is of special importance to agriculture in this State.

For the country as a whole, one acre of every five harvested produces for export. The output of 63 million acres of U.S. cropland moved abroad in 1961-62. Exports accounted for over half of the output of wheat, dried edible peas, rice, and hops; about two-fifths of tallow and nonfat dry milk production; about one-third of the cotton and soybeans produced; nearly one-third of the dried prunes and tobacco grown; about one-fourth of raisin and rye output; and one-fifth of barley and cottonseed production.

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USDA 628-63

The United States is the world's largest exporter of farm products. U. S. farmers in 1961 supplied about one-fifth of the world's agricultural exports. U. S. agricultural exports in 1961-62 were enough to fill over one million freight cars, or 4,500 cargo ships. In moving these exports, an average of 12 ships departed each day. In the fiscal year 1962, U. S. agricultural exports set a value record of \$5,141 million, equal to one-sixth of all cash receipts from farm marketings.

For North Carolina, the proportionate value of exports was even greater -- one dollar out of four -- a total for the State of well over \$200 million. Can you imagine what would happen to the economy of this State -- to the people of this State -- if it lost all that income?

Now, we should talk some about where these exports go and the outlook for the future. We tend to concentrate on the trouble spots, and properly so. But there are some bright spots, too; and we should look at the whole picture.

Of the \$5.1 billion of U. S. agricultural exports in 1961-62, a record of \$3.5 billion were commercial sales for dollars, and \$1.6 billion moved under Public Law 480 and AID programs (foreign currency sales, donations, barter, and long-term supply and dollar credit sales). Recent export gains stem mainly from dollar sales. U. S. agricultural exports climbed \$1.1 billion from the average of the three years ending June 30, 1957 (the first three years of P. L. 480) to the average of

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USDA 628-63

the three years ending June 30, 1962. Ninety percent of the rise was in commercial sales for dollars.

Our major commercial markets in fiscal year 1962 were the European Economic Community, Canada, Japan, and the United Kingdom. These areas took 76 percent of all agricultural exports for dollars, while other West European countries, excluding the U. K., bought another 8 percent.

India and Pakistan have been the major recipients of U. S. agricultural commodities under concessional terms, accounting for 53 percent of all commodities programmed under P. L. 480 from its inception in 1954 through June 30, 1962. An additional 23 percent was programmed to Brazil, the United Arab Republic, Turkey, and Poland during this same period.

The Department of Agriculture has major responsibilities not only for programming Food for Peace commodities under P. L. 480, but also for maintaining and expanding exports for dollars. To this end, we have agricultural attaches stationed in 56 countries around the world to keep us informed on agricultural matters and to help develop outlets for our products. We also work very closely with private trade organizations -- such as Tobacco Associates, for example -- in developing foreign markets.

The recent growth in our commercial exports attests the success of these efforts, and there is reason to hope for more success in the future. Let's take a look at the prospects.

You may wonder about the trade implications of the recent French veto of Common Market membership for Britain.

First, a bit of background. Back in 1956, the Common Market countries invited the United Kingdom to join them in developing the new European Community. After due consideration, Britain declined. The political problems involved were considerable, and she had trade preferences with her Commonwealth partners to think of. Britain had a policy of low tariffs and income subsidies for her farmers to keep consumer prices low. She bought low-price foods from Canada, Australia, and New Zealand under the Commonwealth preference system, and she imported a great deal from the United States. As a matter of fact, Japan and Great Britain are America's two best customers for farm goods, purchasing nearly half a billion dollars' worth every year.

In 1959, Britain and six other European nations which were not members of the EEC formed the European Free Trade Area -- or "EFTA". The development of this group has not been greatly emphasized while Britain and some of its other members were considering membership in The Common Market. We may hear more of it now that Britain's decision to join the Common Market has come to nothing, at least for the present.

What does all this mean for U. S. agricultural trade?

First: We retain access to the "liberal" British market. Last year, Britain bought \$460 million worth of corn, wheat, lard, tobacco and fruit products from us. We might have lost a substantial part of this

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USDA 628-63



rich market had she joined the EEC and been forced as a condition of membership to relinquish some of her liberal import policies.

You might suppose, therefore, that Americans had cause for rejoicing over President de Gaulle's veto of the U. K. But you must remember that issues other than agricultural trade are involved -- large issues of great import to the Atlantic partnership and the Free World community. These issues include nuclear arms policy, the fate of the North Atlantic Treaty Organization (NATO), development of a European "third force" as apparently envisioned by de Gaulle, and the desire of all of us to contain Communism. So we cannot yet read all the implications of the Common Market decision on Great Britain.

Second: Let's take a look at our trade with countries outside the Common Market. We ought not to forget that other Free World countries buy two-thirds of the farm products we sell for dollars. In fiscal year 1962, sales to the "Outer Seven" nations of EFTA amounted to \$719 million, including the \$460 million to the United Kingdom which I mentioned earlier. Japan bought \$485 million worth from us, and Canada \$430 million.

There are substantial opportunities for further trade expansion with these non-EEC countries. Japan is a growing market for feed grains and soybeans. Canada could take more of our poultry, especially turkeys.

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USDA 628-63



Third: We must remember that the Common Market cloud has a silver lining, too. Over 60% of our agricultural exports to the Six are products which they admit on favorable terms because they are non-competitive with their local production. We can expect a growth in these exports. As to the remainder of our farm exports to the EEC, we can hope to maintain access by insisting upon our existing rights and by negotiating for further concessions. New authorities under the Trade Expansion Act will be most helpful. We plan to use them to achieve an interlocking system of liberal and expanded trade for both industrial and agricultural products. We will insist upon treating negotiations on both as a single package, particularly with the Common Market. Since we sell the Six more than four times as many farm products as we buy from them, we must be prepared to offer concessions on industrial exports in exchange for concessions we receive on farm products from the Common Market bloc.

North Carolina farmers, of course, are extremely interested in the outlook for tobacco exports because of the paramount importance of tobacco in your farm economy. North Carolina grovers receive about \$550 million a year from tobacco -- 70 percent of the cash receipts from all crops. Obviously, you have a tremendous stake in maintaining markets for tobacco.

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USDA 628-63

About 25 percent of all U. S. tobacco goes into the export market, and about 40 percent of the flue-cured tobacco crop. It is likely that North Carolina accounted for about two-thirds of total flue-cured exports of some 485 million pounds in the past marketing year. This means that the export value of North Carolina's flue-cured leaf last year exceeded \$200 million, and that is a lot of money.

The six countries of the Common Market bought one-fourth of U. S. flue-cured exports in the past marketing year. We are watching tariff developments there very closely. Their tariff on tobacco from non-member countries, as now scheduled, will be 28 percent ad valorem, with a minimum of 13.2 cents a pound and a maximum of 17.2 cents. The tariff differential will encourage EEC importers to buy low-priced leaf, a development that already has lowered our share in the Common Market because U. S. tobacco is higher priced generally than that of our competitors.

If we can get the Common Market tariff on tobacco reduced, it will help our growers to share in anticipated expanded tobacco consumption in the six countries. They have promised to negotiate further with us on the tobacco tariff, and we are hopeful of getting a more favorable rate.

Not all the threats to our tobacco exports, however, come from high tariffs and import restrictions in our foreign markets. Part of the trouble is right here at home. We are not adequately meeting the competition of other tobacco-producing countries.

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USDA 628-63

Competition is a matter of both quality and price. Our flue-cured tobacco is priced higher than that produced in other countries. Nevertheless, we have been able in the past to maintain substantial export sales because of limited production abroad and the superior quality of our tobacco. Even so, we have not maintained our proportionate share of the world market. Other countries have been expanding their production and improving their quality. In 1950-54, the U.S. share of flue-cured free world trade averaged 66 percent. In 1962, it had dropped to 50 percent.

There is now some very disturbing evidence that the situation is likely to get even worse. It appears that while our prices still remain substantially above our competitors abroad, we are losing some of our quality advantage.

You all know of the hearings we have held in recent months on factors affecting the quality of tobacco. Those hearings were held because of the mounting evidence of trouble in the quality of our tobacco. For example, we took 17 percent of the flue-cured crop---237 million pounds--- under price support from the 1962 crop. This contrasts with only 5.6 percent from the 1961 crop. And the trouble does not appear to be lack of demand, but rather that so much of the 1962 crop was regarded as undesirable by foreign as well as domestic buyers.

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USDA 628-63

It seems clear that efforts of growers to increase their yields per acre have adversely affected tobacco quality. Practices which have caused a decline in quality include over-fertilization or improper fertilization, close spacing of plants, excessive irrigation, topping plants too high, chemical sucker control, harvesting immature tobacco, and poor sorting and grading on the farm.

Obviously, the Department of Agriculture cannot successfully operate a price support program unless the price support rates reflect the actual value and marketability of the tobacco. We are announcing, therefore, that there will be a substantial revision in the grades for the 1963 flue-cured crop. The new grades will closely reflect the current market standards of usability and desirability. They will do a better job of distinguishing between desirable, less desirable, and undesirable tobacco than do the current grades.

Price support rates for the 1963 crop will also be revised accordingly to reflect the true value of the tobacco, regardless of the factors which may cause a reduction in quality--whether it be too much fertilizer, too close spacing, excessive irrigation, poor variety, or some other reason. The tobacco will speak for itself when it gets to the warehouse.

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I have talked about how we are working to preserve and expand our export sales for dollars. To complete the export picture, however, I need to mention again the \$1.5 billion of last year's exports represented by Food for Peace shipments. Of this total, \$1 billion worth was sold to dollar-short countries for their own local currencies, and most of the rest was donated for emergency relief and economic development programs.

Part of the donations were rushed into disaster areas like the region devastated by a great earthquake in Iran some months ago. But a larger share was used to upgrade the diets of 35 million school children around the world and the 5 million workmen and dependents who received U.S. surplus cereal grains in partial payment for labor on useful local improvements in more than a dozen less developed countries.

The sales that we make for local currencies--and donations to underfed children and workmen--have humanitarian objectives, but in the long run they tend also to develop future markets for American commodities. A man without a job is not a dollar customer right now, but if U.S. surplus foods are used to feed him and to create a job at which he can work, he is a potential customer of the future. It has worked that way time and again.

One of the best examples is Japan. Following World War II, we sold Japan wheat and nonfat dry milk for yen, her local currency, and we donated more of the same products to launch a school lunch program. Shortly, Japan was repaying us for the sales in dollars and was buying wheat and milk from us to feed to the school children on her own. Today, Japan is our No. 1 cash customer for agricultural products.

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USDA 628-63

Other types of foreign aid also expand trade. Much of the development assistance granted by the Agency for International Development never leaves this country; it is spent right here for machinery and fuel and other capital purchases necessary for economic development abroad.

When our direct foreign aid helps to revive a country's economy, that country, hopefully, progresses to the point where it buys from us with hard currency. I have only to recall to your mind the hugely successful Marshall Plan which lifted the countries of Western Europe off the ropes following World War II, and made them, collectively, our biggest cash customer for industrial and agricultural products.

We are deeply involved as a nation in all kinds of activities, programs, and policies undreamed of a generation ago. We are involved in a number of actions to improve world trade in agriculture. Our market development efforts are vast. Through agricultural exhibits at international trade fairs and elsewhere, through advertising, distribution of samples, trade-sponsored visits of foreign buyers to the United States, and promotion programs involving the U.S. Government and trade cooperators, millions of foreign consumers have become better acquainted with the quality and variety of American food and fibers.

In the months ahead, the United States Government will be engaged in important trade negotiations, particularly for the markets of Europe. We cannot negotiate effectively in an ivory tower. With negotiation, we must also get our point of view across to foreign consumers and voters in hope that they, in turn, will convince their statesmen. In this we need your help.

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USDA 628-63



Secretary Freeman has suggested the creation of an "Atlantic Bridge of Ideas" across which common sense, rational concepts of trade and commerce can travel. This would be a two-way bridge--like trade--so we might benefit from Europe's ideas just as they benefit from ours.

He said that over this bridge, the realization must flow that our futures--that of the United States and Western Europe--are inexorably tied together, that we do not regard the people of Europe as rivals but as partners, that we want to move ahead together.

You here in North Carolina and neighboring states have many reasons to be interested in international affairs. You have demonstrated, through your Farmers Cooperative Council, that you know how to work together. Let us expand this fine concept to our world relationships. I know that you will do your best to support your country's efforts to work, and trade, with others.

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USDA 628-63







U. S. Department of Agriculture  
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I am delighted to be here today. I want to use this opportunity to talk to you about the Department of Agriculture. I do not propose to say much about those activities of the Department which are of primary interest to this group. I know that Secretary Freeman spoke to you yesterday and that many other officials of the Department are discussing with you questions relating to grain programs. Indeed, I think it is likely that you are better informed just now about the grain programs of the Department than I. Accordingly, I would like to ask you to join me in taking a brief look at some of the other activities of this fabulous, fascinating and altogether astounding institution.

As you may know, I was new to the Department of Agriculture when I went there in January of 1961. I had lived in Washington for 25 years, most of that time in Government service, and thought I was familiar with the operations of the Federal Government. However, I have found during these past two years that there were many wondrous things in the USDA that few Washingtonians ever dreamed of.

It is amazing that such a remarkable institution as the USDA could exist in this city with the rest of the people here knowing so little about it. Perhaps the principal reason for this is the poor coverage Washington newspapers give to agriculture. You find much more news about agriculture in other newspapers -- the New York Times, the Wall Street Journal, the Journal of Commerce. And in many of our Midwest newspapers, I think you find more news about agriculture than you do about all the rest of the Washington scene put together.

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Address by Under Secretary of Agriculture Charles S. Murphy before the National Federation of Grain Cooperatives, State Room, Mayflower Hotel, Washington, D. C., April 3, 1963, 12:15 p.m. (EST).

Perhaps this explains why Agriculture seems close to the people in the rest of the nation while it leads a rather insular existence in the District of Columbia. Significantly, the group in Washington that seems to know most about the Department of Agriculture is the Congress. The Congress also is close to the people. And, in turn, I think it is this knowledge on the part of the Congress which makes the Department of Agriculture the extremely comprehensive and varied organization it is today. Because the Congress, having found that when they assign a job to this Department it usually gets done, has for the past 100 years been piling on one job after another. The total result is one that I have been learning about with growing amazement during the past two years since I went to the Department.

Many people have asked why I went to the Department of Agriculture. I think the principal reason was that I was carried away by an idea. You know almost everyone believes he could handle the so-called "farm problem" better than people who are doing it. I used to share that feeling. However, I differed from most people about this in one important respect. Most people have sense enough to tell how the "farm problem" ought to be solved and let it go at that - while they go on about their regular business in some other line of work. I didn't have that much sense, so I actually went over to see if I was right.

I have found that working on the "farm problem" is not greatly different from what I had expected, but I have been utterly amazed at the scope and variety of the other activities of the USDA -- many of which are of greater importance to consumers and the general public than to farmers. I still have not become thoroughly familiar with all the Department's activities -- you might say that I'm still in my period of on-the-job training. For example, I have not yet had time to get out to Beltsville, where the Department carries on a very fine and extensive research operation.  
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Just the other day I was surprised to get a call from a friend who wanted me to help him get a hotel reservation in Oregon. The reason he gave was that the hotel was in a National Forest and was owned by the Forest Service. The Forest Service is in the Department of Agriculture. So I inquired as to whether we did in fact own the hotel and found that not only did we own this hotel, but that in addition the National Forests also have 417 other hotels, lodges, and resorts; 18,230 cabins; 556 organization camps; 4,221 campgrounds; 1,264 picnic areas; 196 swimming sites; and 391 boating sites. The picnic and camping areas alone can accommodate more than 325,000 persons at one time, and last year there were 113 million recreational visits to the National Forests. (We will come back to the Forest Service later, but that is a sample of the kind of thing I'm still running into.)

I know that this group is far more knowledgeable about USDA than most Washingtonians. Indeed, as to some of our operations, I am sure you are the world's greatest experts. I am also sure that you would agree with me that the USDA as you know it is one of the finest service organizations in the world. Nevertheless, I expect there are some of its activities with which you might not be thoroughly familiar, and I thought that in your discussions with USDA officials at this conference you might like to have a change of pace by getting away from grain for a short while.

The work of USDA is carried on through 16 operating agencies, under the direction and supervision of the Secretary's office, and with administrative support from a number of central administrative services.

The largest of the 16 agencies is the Forest Service. It has more than  $\frac{1}{4}$  of all the employees in the Department. It administers the National

Forests and National Grasslands -- 186 million acres, located in 41 states and Puerto Rico. If the National Forests were all put together, they would cover all New England plus New York, Pennsylvania, New Jersey, Maryland, Delaware, Virginia, North Carolina and  $\frac{1}{2}$  of South Carolina. That's a lot of land.

The National Forests must have roads in them and do have -- 162,000 miles. In 1961, USDA built and supervised the building of enough roads to stretch from the Atlantic to the Pacific and halfway back again.

The Forest Service sells more timber than the biggest timber company in the world -- \$106 million in 1962.

The Forest Service operates the biggest fire department in the world -- fights 12,000 fires a year. In firefighting, it uses -- on the ground -- bulldozers, sandcasting machines, and water pumping trucks. In the air, it uses patrol planes, chemical carrying air tankers, and helicopters -- and is getting ready to use guided missiles. It also uses smoke jumpers -- and the Air Force sends personnel to the smoke jumpers school.

The Forest Service also goes in for the finer things of life. It has 189 winter sports sites -- which had 5.2 million visits in 1962. These include such famous ski areas as Aspen, Squaw Valley, Alta, Mt. Hood, Sugarbuck, and Big Bromley.

(more)

USDA 1099-63

People also hunt and fish in the National Forests -- 24 million of them in 1962. 81,000 miles of fishing streams -- 2 million acres of lakes. Just about every type of big game animal in America can be found there: Deer, elk, moose, antelope, bear, mountain goat, bighorn sheep, javelina, and European wild boar.

One thing more about the Forest Service. There is much agitation to preserve America's remaining wilderness these days, but the Forest Service has been preserving wilderness for more than thirty years. As a result of Forest Service policies going back as far as 1924 areas that were chiefly valuable as wilderness were set aside for that purpose; there are now 83 wilderness, wild, primitive and canoe areas which total more than 14 million acres. These are mostly in the mountainous West, but there are also wild areas in New Hampshire and North Carolina, plus the incomparable canoe country (more than 800,000 acres) along the Canadian border in the Superior National Forest, Minnesota. Along the Idaho-Montana border there is the Selway-Bitterroot Wilderness Area, nearly the size of Delaware -- all wilderness.

But I must leave the Forest Service -- there are 15 other operating agencies of the Department.

Another of our larger agencies is the Agricultural Research Service. It does the things you would naturally expect a research service to do -- such as developing better and more efficient ways to produce farm crops and animals. It does these things amazingly well, too, and has achieved some real breakthroughs. The scientific advances of recent years have resulted in several billion dollars annual savings in the cost of farm production.

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USDA 1099-63

Since these savings far exceed the increase in farm income, it is apparent that they have been largely passed on to others. That is why the average American today spends only 19% of his income for food -- the lowest proportion of any time or any people in history.

But there are other activities of the ARS that are less to be expected and less well known. For example, out of its work have come such important contributions to mankind as the commercial production of penicillin, and other valuable medicines and antibiotics, including streptomycin, aureomycin, and terramycin, as well as a substitute for blood plasma.

The ARS also inspects the meat that is slaughtered for sale in interstate commerce. For this purpose, it employs over 3,000 meat inspectors and each of them inspects an average of 14 million pounds of meat and meat products a year.

Among its many other duties, ARS also operates the inspection and quarantine services for plants and animals imported into the United States. The main purpose of this is to prevent the bringing in of new diseases or insect pests. The ARS is very strict about this and insists on doing a thorough job. In fact, they are the ones who insist that your baggage be opened and inspected when you come through customs when you return from a trip abroad. The Treasury Department decided some time ago that it was willing to go to a spot check operation on baggage for purposes of collecting customs duties. But not ARS -- they want every bag opened -- so we actually pay the Customs Service several million dollars a year to get them to run a tighter operation than they would otherwise. Just remember, the next time

(more)

USDA 1099-63

you come through customs -- those fellows who rummage through your bags are not really looking for diamonds -- they're looking for hoof and mouth disease or the Mediterranean fruit fly.

Then there's the Soil Conservation Service. That's another one of our 16 agencies. All of you may know that the SCS helps the farmers conserve their soil -- and this is a precious resource upon which our continued existence as a nation depends. Very true. But there are other things about SCS you might not know.

The City of Detroit has entered into an agreement with the SCS for soils information on a strip of land over 100 miles in length and 80 feet in width for a water main which is to be installed. The purpose -- to save taxpayers money by routing the line through soils best suited to this purpose.

In April 1961, the City Council of San Antonio, Texas, authorized a contract agreement with SCS to undertake an intensive soil survey of 280 square miles of urban land. The soil survey information is being used for zoning, urban planning, tax evaluation, and construction. City Manager Jack Shelley said: "No official, department, bureau, or agency in San Antonio is now proposing construction without using the soil survey as one of their basic tools."

The people of Stamford, Connecticut, turned a 30-acre swamp into a much needed recreation area after they requested SCS to make a survey and study and recommend use of the swamp area. SCS designed a drainage ditch to drop the water level two feet, and the Stamford City Park Commission contracted the building of three ponds and stocked them with fish. For an outlay of only \$4,500, the city provided its people with a 30-acre recreational center.

(more)

USDA 1099-63

The SCS has also helped farmers build more than a million farm ponds -- and is helping in the coordinated development of entire watersheds for flood control, irrigation, fire protection, recreation. All this is very helpful to farmers and other people. Moreover, it has greatly improved living conditions for the birds and beasts and fishes on the privately owned rural lands where more than 80% of our hunting and fishing takes place. The result -- believe it or not -- we have today more kinds and greater numbers of game birds, game mammals, furbearers and game fish than were present when white men first set foot on American soils.

Then there's the Agricultural Marketing Service, another of our 16 agencies. The AMS in turn operates through about 7 divisions. I shall talk of just one of its divisions -- Food Distribution. This division operates the direct distribution program, to provide food for 7 million needy Americans; the food stamp plan, a highly successful pilot operation for the past 2 years under which 250,000 Americans are now enjoying better diets; the school lunch program which makes it possible for 15 million children in 65,000 schools to eat  $2\frac{1}{2}$  billion well-balanced lunches; and the special milk program which provides 2.6 billion half-pints of milk to children in 87,000 schools and other institutions. Here you have one division in one of 16 agencies in USDA distributing over \$600 million of food a year.

In the Fall of 1961, I went with Vice President Lyndon Johnson to the coast of Texas where hurricane Carla had struck. You remember they had some terrible floods there and many people were flooded out of their houses.

We found hundreds of these people who had taken refuge in school houses and were living on the food the USDA had sent there for school lunches.

(more)

USDA 1099-63



That was entirely proper. The agreements between the States and USDA expressly provide that this food shall be available for emergency use in case of disaster. And before the flood waters had gone down, we had more food on the way into the area to meet the emergency needs. The Department made food available free of charge for all people displaced by the flood and who were not able to pay.

Honestly, I'm just scratching the surface about what goes on in USDA. We also have some farm programs over there. And they do get us into the most interesting situations.

In our price support operations, we from time to time acquire large quantities of agricultural commodities. Then we have to look after them until we can dispose of them. These inventories get quite large -- when Benson was over there, they were called surpluses. Currently, the commodity inventories -- plus the commodities under price support loans -- amount to about \$8 billion.

This means that we are responsible for the storage and handling of the largest part of the wheat, cotton, corn and other feed grains that exist in the United States today. This naturally makes us large and valued customers of the grain elevator and warehouse storage industry, and subjects all our actions and policies in this field to close scrutiny and pointed comments.

Recently, we were considering some possible changes in our policies concerning the storage of cotton. Cotton storage warehouses are scattered all across the cotton belt from North Carolina to California -- and about

(more)

USDA 1099-63

3/4 of the cotton in those warehouses is now Government cotton or under Government loan. We invited 18 representative members of the industry to come in to consult with us about the possible changes. We sent out 18 invitations and got 200 acceptances -- and about 50 of them were Members of Congress.

That just proves the point that the rest of the country cares a lot more about Agriculture than Washington does.

Two of the Department's agencies make credit available for vitally needed purposes in rural areas -- the Farmers Home Administration and the Rural Electrification Administration. It's hard to visualize the size of these operations -- just the credit aspects of USDA's activities. The volume of the Department's outstanding loans exceeds that of the largest bank in the country. Including price support loans, the total is well over \$8 billion, compared with \$7.6 billion for the Bank of America and \$5.4 billion for Chase Manhattan.

One little story about civil defense. I expect we have the best civil defense organization in the country, reaching down into every county. But, frankly, until the Cuban crisis came along, I didn't know much about it. During the Cuban crisis, we went to the White House to a meeting on civil defense and protection of Government employees. One official who was there told how the employees in his Department knew they were supposed to go to a certain part of the building as a fallout shelter, but the Department

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USDA 1099-63

had no instruments to measure fallout. His Department was taking measures to get some such instruments and thought others might want to do the same.

I very discreetly kept quiet, because I didn't know whether USDA had a Geiger counter or not. Then I went back to the Department and asked a question -- did we have one? What I found out was that we had a trained monitoring crew with a complete set of instruments to measure radioactivity in each county in the country, and that USDA operated the fallout monitoring network for the whole Government.

I still have touched on only a small part of the Department's work. But I will forego the rest for now.

I do wish I had time to tell you about the National Agricultural Library, and about the Graduate School with 10,000 students and over 300 courses of study, and about the Symphony Orchestra.

However, I'm afraid all this will have to wait until another time.

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USDA 1099-63

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DEPARTMENT OF AGRICULTURE  
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MAY 7 1963  
C & P-158

Statement of Charles S. Murphy  
Under Secretary of Agriculture  
Before the Subcommittee on Dairy of the Committee on Agriculture,  
House of Representatives, Relating to the 1963 Dairy Program  
May 1, 1963

Mr. Chairman and Members of the Committee:

I am very happy to have this opportunity to appear before your Committee with respect to dairy legislation.

It is clear to all of us that the present dairy situation is unsatisfactory in two respects --

- (1) The income of dairy farmers is too low, and
- (2) Too much Government money is going into building up excessive inventories of dairy products.

We believe legislation can be enacted that will improve the present program in both of these respects. I will comment specifically on provisions of some of the bills which are pending before your Committee and on some of the proposals that have been presented to you in these hearings.

First, however, I would like to review the background of the problem.

Over the past two years, the volume of surplus dairy products acquired by the Commodity Credit Corporation under the existing dairy price support law has increased very substantially. In 1960, CCC purchases amounted to less than 3 percent of the butterfat in milk marketed by farmers and about 7.7 percent of the non-fat solids. But during 1962, the CCC acquired 9 percent of the butterfat and 13 percent of the non-fat solids in all of the milk marketed by farmers. Annual CCC expenditures under the dairy price support programs, which averaged less than \$300 million from the beginning of the program in 1949 through the fiscal year 1960, jumped to approximately \$600 million

in the fiscal year 1962, and current projections indicate they will remain near, or in excess of, \$500 million even with the support level at 75 percent of parity -- the minimum level at which we are required to support milk prices.

The most significant factor in the rise of CCC purchases in 1961 was the decline in the consumption of both fluid milk and manufactured dairy products. While per capita consumption of many dairy products has been falling steadily in recent years, total milk consumption has still increased at the rate of about half a billion pounds a year because of our growing population. But in 1961, instead of increasing, total milk consumption declined by about 1.6 billion pounds. Milk production also began to increase late in 1960, but if milk consumption had not declined there would have been little cause for concern over the increase in production. We had anticipated some increase in the amount of surplus, and we were prepared to accelerate our use of dairy products in both foreign and domestic outlets in order to prevent stocks from accumulating. But with consumption at a lower level than expected, the CCC was forced to acquire under the price support program twice as much butter as could be utilized through available disposal outlets. This was the case even though we expanded domestic distribution through the various authorized outlets to a rate almost 50 percent greater than that of the years immediately prior to 1961. We have also offered 200 million pounds of surplus butter for foreign donation, but to date outlets have been found for only 52 million pounds.



Last summer, the amount of butter in storage approached the limit of available freezer capacity. It became necessary to ship butter to locations far removed from the production areas, resulting in additional transportation costs of from 1 to 4 cents per pound. Some butter in storage was also approaching two years of age -- the maximum length of time butter can be stored without some danger of spoilage. To relieve this situation, 100 million pounds of butter were converted into butter oil for possible foreign distribution. This relieved some of the pressure on freezer space, because butter oil can be held in coolers at above freezing temperatures without deteriorating.

While butter purchases have declined slightly in recent months, acquisitions are still running substantially above distribution levels and adding to the quantities already in storage. The present CCC inventory is equivalent to about 385 million pounds of butter and will continue to increase. While this quantity is slightly smaller than anticipated earlier, it remains a critical problem. Purchases of butter are still running at an annual rate of 350 million pounds while our distribution programs are using only about 260 million pounds.

I have noted that some observers are taking the decline of milk production in recent months to be an indication that milk supplies will continue to decrease with price supports at only 75 percent of parity. I believe this judgment is a little premature. There is strong reason to believe that the recent decline is largely the result of unusual weather conditions and that production will turn up again with a return of normal weather. Last summer, the entire Northeastern

quarter of the country was hit by a severe drouth. Pasture conditions were very poor, and milk production was down by as much as 3 percent in some of the major dairy States of the Northeast. Since recovering from the drouth, however, those States have again started to increase their milk production and in recent months their output has been running above levels of a year ago. The winter which has just ended was one of the most severe on record, particularly in the Midwest area where temperatures stayed in the below-zero range for weeks at a time. These conditions were reflected in a decline in milk production, but with the coming of spring, it is quite likely that the downtrend in production will reverse in the Midwest as it did in the Northeast.

Over the years, the most important factor affecting milk production statistics has been the rise in production per cow. During the five years prior to 1962, milk production per cow increased by 200 or more pounds each year. But in 1962, production per cow increased only 147 pounds. This rate of increase is 26 percent less than in previous years. The only apparent explanation for this smaller increase in productivity is the adverse weather. Assuming normal weather this coming year, it is quite possible that we will again have at least a 200-pound increase in output per cow. With lower livestock prices, it is not likely that the rate at which farmers cull their herds will increase. Therefore, an increase in milk production which would force the CCC to maintain or even increase its current level of purchases is a definite possibility.

It is an extremely difficult task to devise legislation which will solve the problem of dairy surpluses without impairing the income of the dairy farmer. The incomes of dairy farmers are already among the lowest for any farm commodity group. In 1962 net annual farm incomes on typical commercial family-operated dairy farms in important producing areas ranged from \$3,118 to \$6,221. These incomes are lower than the incomes on most other types of commercial family-operated farms. When allowance is made for the large capital investment on these farms by figuring a capital charge at current interest rates, returns to operator and family labor range from \$667 to \$2,551 per year.

Moreover, dairy farmers are faced with constantly increasing costs in the production of milk to meet the high standards of sanitation required. Expensive bulk cooling tanks and advanced types of milking equipment are becoming requirements in more and more areas. In order to fully utilize this equipment, yet keep production costs down, farmers are forced to expand their output. But when they expand output, the extra milk they produce adds to our surplus problems and further depresses milk prices. Under these circumstances, there is great need for an effective means of supporting the dairy farmer's income at reasonable levels while at the same time bringing production into balance with demand.

Our present dairy programs do not provide those means. The Agricultural Act of 1949, under which manufacturing milk prices are supported, provides no mechanism for dealing with surplus problems other than reducing the level of price support. The law requires that the Secretary of Agriculture provide price support for milk and butterfat

at such level between 75 and 90 percent of parity as will provide an adequate supply. Current surplus problems have prevented maintaining price supports above 75 percent of parity. On the other hand, when price supports are held at 75 percent of parity, dairy farm income is extremely low. Yet, dairy farmers find it difficult to reduce their output because of the large investment they have in facilities which can be used only for the production of milk. It seems to me that simply to reduce the price support level to cut the income of dairy farmers whenever surpluses increase would be inconsistent with the basic objective of price support programs. The Agricultural Marketing Agreement Act of 1937, under which the fluid milk marketing orders are established, is likewise limited to price-cutting as the only authority available to deal with problems of oversupply.

To illustrate the injustice of the price-cutting approach, consider the case right now in the big fluid milk market of New York-New Jersey. The blend price received by farmers in this market is presently the lowest it has been in several years because of the surplus. Yet we are required under the New York-New Jersey order to initiate proceedings before very long to review the prices in these markets and presumably consider a further reduction in prices paid to producers. This is the only recourse the law gives to us when surpluses increase.



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U.S. Department of Agriculture

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Office of the Under Secretary

I have spent a lot of time during the past two years working on proposed cotton legislation. This has been a most interesting experience. However, at this time it appears that the degree of success which is likely to be achieved is a matter of conjecture.

I said last December that I thought the prospects for new cotton legislation were excellent because there were so many people who needed cotton legislation so badly they would simply have to get together -- submerge their differences -- and work to get a bill passed. It now seems that I may well have been wrong in my estimate of the situation. Differences have not been submerged.

I spoke again on this subject in January. At that time, I said "the hope for enactment of new cotton legislation remains alive. Whether this hope is in fact realized will depend to a great extent on whether the different groups in the cotton industry can and will submerge their respective viewpoints sufficiently to provide the essential degree of accommodation to the viewpoints of others. No one is going to be able to have his first choice as to what the new legislation will contain. It is possible, however, to have new legislation under which everyone would be better off than with no new legislation at all. That is the real choice.

"Even if the cotton industry is united in its efforts to obtain prompt passage of a new bill, there are many pitfalls along the way and

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Address by Under Secretary of Agriculture Charles S. Murphy before the American Cotton Shippers Association, Roosevelt Hotel, New Orleans, Louisiana, May 10, 1963, 11:00 a.m. (CST) For Release on Delivery.

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many difficulties ahead in obtaining the necessary concurrence and support from non-cotton groups. Substantial opposition or dissension within the cotton industry itself can and almost certainly will prevent passage in time for the planting of the 1963 crop.

"I believe the recommendations of the Secretary's Cotton Advisory Committee of January 14, 1963, offer the best -- and perhaps the only -- basis on which there is a reasonable hope of agreement. These recommendations were arrived at by the Advisory Committee after deliberations extending over many months and after thorough discussion of many alternative proposals. They represent a degree of agreement which was reached only after much give and take. Anyone who might wish to upset them now should recognize (1) the difficulty of finding any other basis of agreement, and (2) the necessity for agreement if legislation is to be passed."

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"No one is entirely satisfied or happy with proposals recommended by the Advisory Committee. I expect I have heard more objections to them than anyone else. Nevertheless, they still seem to me to be the only basis on which there is a reasonable hope of achieving an early agreement."

There were evidently a lot of people who didn't believe what I said in January, because they went off in a good many other directions. This, of course, they had a perfect right to do. But I might point out that we have no cotton legislation and the prospects do not look as good now as they did in January.

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Instead of differences being submerged, they have been emphasized more and more.

There is general agreement on one phase of the matter, namely, that a problem does exist and cotton is in trouble. Even here, there are differences of opinion as to how serious the trouble is. It sometimes seems to me that various spokesmen are competing with each other to see who can make the most extreme statement about the seriousness of the situation. I would not for one moment wish to minimize the gravity of this problem, but I don't believe I can add much to what has already been said on the subject.

The problem in the cotton industry has existed for a number of years. As we worked with our Cotton Advisory Committee in the fall of 1961 and the spring of 1962 on proposed legislation, we saw only limited opportunities for improvement. We were searching for a formula which would maintain or increase the income of cotton farmers, which would make cotton more competitive, and would at the same time reduce Government costs for the cotton program. This was a formula which made the task extremely difficult.

A major new element was introduced into the picture last fall when President Kennedy indicated that additional Government funds might be used to help solve the problems of the cotton industry and to eliminate the inequity of the two-price cotton system. It was his judgment that the general welfare might be best served by the expenditure of these additional funds. It seemed to me that this decision of the President's was the key

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to the solution of our problem -- the magic ingredient that would solve the dilemma of cotton with which we had been wrestling so earnestly. However, this has not been the case -- at least not yet. Too many people -- too many interests -- are still insisting upon maintaining conflicting positions.

I think it should be understood that the Administration in its desire to help find a solution of the problems of the cotton industry has agreed to a plan which would add many millions of dollars to the estimated cost of the cotton program. Let me hasten to add that we believe this expenditure would be fully justified in the resulting benefits to the entire Nation. Consumer savings alone would largely justify the expenditures -- since prices to consumers would, it is estimated, be reduced the equivalent of twice as much as the increased Government costs. In addition, the stimulating effects on the entire economy through greater prosperity and activity in the very important cotton industry would be most beneficial to everyone.

However, the added Government costs present a very practical problem of great magnitude in budgetary terms. Government expenditures have to be paid with tax money that is actually collected by the Government. I want the record to be perfectly clear that the President has gone very far indeed, and has more than made good on his commitment to recommend legislation which would eliminate the inequity of the two-price system for cotton.

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Indeed, I think the President has gone as far as he should be expected to go. His responsibility to manage the Federal budget is a very heavy one, and no one can rightly contend that the share he is willing to allocate to cotton is less than its fair share.

The Administration has not taken, and is not taking, a dogmatic attitude about this matter. It recognizes the problem. It has suggested solutions -- it has accepted modifications and counterproposals -- it has been and is willing to agree to almost any reasonable solution that other people will agree to.

Nevertheless, there are limits beyond which we cannot go.

I believe the solution to the problem, if it is to be found at all, must be found within the limit of Federal expenditures which the President has already indicated he is willing to accept. There is no assurance that the Congress will agree even to expenditures of this magnitude -- there is very little chance the Congress would agree to more.

Where then is the solution to be found? Should we raise the export price of American cotton so as to reduce the cost of the export program? Few knowledgeable people with whom I have discussed the subject would advocate this course. If American cotton is to be exported at all, it can only be exported at world prices. Otherwise, no one will buy it. The exports must be

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USDA 1506-63

maintained. They are too important -- not only to the cotton industry -- but to our balance of payments -- to the entire national economy -- to even think of letting them stop.

Is the answer to reduce the support price for cotton? Many people are saying yes. They say they know American farmers cannot produce cotton at the world price of around 24¢ a pound, but that 30¢ a pound would be about right. That would be a reduction of 2½¢ a pound. Before you settle on this as a painless and easy answer, do a little bit of simple arithmetic with me. See what would happen to cotton farmers' income. Suppose the cotton farmers' total costs of production is only 24¢ a pound -- and surely that is not a high estimate. His present support price is 32½¢ -- leaving a margin of profit of 8½¢. If we simply reduce his price 2½¢, he loses more than 1/4 of his profit -- his net income. But you say, his volume will be increased -- and in due time it may. Our economists estimate that for each 1¢ reduction in price, mill consumption could increase by as much as 200,000 bales. So a 2½¢ cut would mean 500,000 bales more cotton. This would mean that the American cotton farmer instead of losing 29% of his net income loses only 27% -- instead of losing \$175 million, he only loses \$160 million.

This is not a consequence to be accepted lightly. In the Department of Agriculture, we have found it a very painful prospect.

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We are committed to helping maintain farm income -- not reducing it. Nevertheless, there have been many spokesmen for cotton producers who have advocated or acquiesced in a reduction of the support price to 30¢. If this is really what producers want, what are we to say?

I will say this. We feel a special obligation to the small farmer -- one whose voice is heard least in the corridors of Washington -- but one whose need is greatest. We are willing to accept his proxy in this matter, and we don't propose to vote it in favor of a price support cut for the little man as a part of a legislative package.

Is it necessary to a solution that a payment be made on cotton consumed domestically which is equal to the entire difference between the export price and the domestic price of cotton? If so, the squeeze is going to be awfully tight somewhere else.

I have identified some of the questions about the cotton problem. Finding answers is more difficult.

We have conducted a diligent search for answers. From time to time, we have thought we were finding some.

I referred earlier to the program recommended by our Advisory Committee last January 14th. We thought that was a

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satisfactory answer and still think so. But somewhere along the line, it failed to provide what some people thought they had to have -- so it was derailed. Various modifications were proposed. We have considered them one after another and agreed to them whenever we could. Most of the Administration's difficulties in considering these proposals have revolved around budgetary considerations. In that area we feel that we have gone about as far as we can go.

As you all know, we recently sent to Congressman Cooley, Chairman of the House Committee on Agriculture, our views on a draft bill he had sent to us for comment. We agreed to the main points in the draft he sent to us, subject to the minimum changes necessary to bring it within our budgetary limits and provide a measure of protection for small producers.

This draft bill would provide for payments with respect to cotton consumed in the United States to eliminate the inequity of the two-price system. These payments would be in an amount determined by the Secretary of Agriculture, subject to the proviso that on and after August 1, 1964, the payments would have to be sufficient to make cotton available for domestic consumption at the same price it is available for export. These payments would be made to "someone other than the producer", but there is not one word about whether they should be made to the "first buyer" or "last handler".

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The draft bill also provides for the planting of cotton on "export acres" outside the national allotment and at the world price. It also would authorize a lower price level for that part of the production from each farm which exceeded 30 bales. Finally, it would authorize a stepped up program of research aimed at reducing the cost of producing cotton, and would provide for a reduction in support price commensurate with such reductions in costs of production as might be achieved.

A number of persons interested in cotton promptly said they would oppose this proposal. They probably will be able to defeat it if they persist in this attitude. I understand that various producer groups are still considering this proposal and more may be heard from them later.

Hearings on cotton legislation are scheduled to begin before the Senate Committee on Agriculture and Forestry on May 20th. The bills before that Committee will include one introduced by Senator Sparkman of Alabama which embodies the recommendations of our Advisory Committee to which I referred earlier. The Department of Agriculture will, of course, indicate to the Senate Committee that it believes this proposal to be a suitable way of dealing with the problem.

The Senate Committee will also have before it another bill proposed by Senator Talmadge of Georgia. This bill has some very constructive possibilities. Briefly, it would provide for each grower a

domestic allotment -- his fair share of the domestic market -- expressed in bales. Each grower could produce and market as much cotton as he pleased at world prices. Then, in addition to what he received in the market place, the Government would make payments to him on his domestic allotment to achieve specified levels of total returns per pound for this share of his production.

This proposal would permit cotton to move freely through private trade channels at price levels approximating world prices. It would be possible under this proposal to increase the net income of cotton farmers and, at the same time, lower Government costs in comparison with other programs. It would be the lowest cost way of achieving a "one-price system" for cotton. It would be simpler to administer than the present program. We believe that this bill deserves the most careful and objective consideration.

There is, in some quarters, strong opposition to one of the features of the Talmadge bill -- namely, the direct payments to cotton producers. One of the reasons for this opposition is the fear that limitations might be put upon the size of payments so as to ruin large producers. However, the bill has a safeguard against this. It requires that price support be provided in one form or another no matter how large the producer. Thus, if funds were not made available for paying part of the support price in the form of direct payments, the Secretary would be required by the law to provide the total support price by loans or purchases just as he does now. This has been referred to as the "snap back" provision. We regard it as very wise. We regard it as essential that large producers as well as small shall receive a fair return for their cotton.

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USDA 1506-63

There is one curious phenomenon related to the Talmadge bill and similar proposals involving direct payments to cotton producers. Many, many people -- many of them in high places -- say "We know this kind of proposal makes sense -- it would be best for everybody -- and I'm for it", they say, "but the trouble is we can't get it passed -- the Farm Bureau leadership is against it."

This leads me to a question which I wish to pose to your group here today. I think I know how you feel about the Talmadge bill and other like proposals. But my question to you is: What are you going to do about it? How long are you going to continue to listen to people who say they agree with you that this is the best kind of proposal but it can't be passed?

I want the record to be perfectly clear from this point on that the Department of Agriculture is not responsible for the ills which beset the cotton industry. You ought to know who your friends are; and, if you are going to aim your fire anywhere, you ought to aim it at the right places.

We, in the Department, are going to keep right on doing the best we can to get cotton legislation passed. But the fate of this matter does **not** rest in our hands. It rests in yours, and in the hands of cotton producers, and textile mills -- and all the groups interested in the welfare of people in the cotton industry. We will do our part. But we cannot do your part. The outcome rests in your hands just as much as it does in ours.

It will take the best efforts of all of us to get the job done.



U. S. Department of Agriculture  
Office of the Under Secretary

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Remarks by Under Secretary of Agriculture Charles S. Murphy at the opening of an exhibit commemorating 50 years of organized marketing service in the U. S. Department of Agriculture, C & R-ASE Washington, D. C., May 21, 1963

Thank you, Mr. Smith. I do indeed take a great deal of pride in the marketing work performed by your agency and others in the Department of Agriculture--and in all the many services of the Department which are of direct benefit to consumers as well as farmers.

Many of these services had their start more than 100 years ago, for when the Department of Agriculture was founded in 1862, the need was to encourage efficient production on our farms. How well this effort succeeded is today a familiar story-- an abundance of food and fiber that not only meets our own needs but enables us to share our bounty with the rest of the world--a highly mechanized, scientific farm industry that frees more than 90 percent of our population to produce all the other goods and services we enjoy.

But the miracle of production is only half the story-- in the last 50 years we have also witnessed a miracle in marketing. Without it, we could not today make the proud statement that our citizens spend a smaller percentage of their income for their food than any other people in the world. Without it we could not eat strawberries in January-- consider fresh fruits and vegetables as year-round staples-- and depend on finding whatever kind of food we fancy awaiting us at the supermarket, whenever and wherever we want it.

Congress laid the groundwork for this miracle in 1913 when it recognized that what happens to farm products after they leave the farm is just as important as their production-- and passed legislation which resulted in the start of organized marketing work in the Department of Agriculture.

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Since that time we have brought science to the service of marketing just as we have to production. We have provided grading and inspection services to assure the quality and wholesomeness of our foods. We have organized a nationwide network of market news to help keep farm products flowing to market in an orderly and efficient manner. We have enforced the necessary regulatory laws to protect free and fair competition in the marketplace and prevent misrepresentation. We found ways to help share our abundant foods with school children, and with the needy, both in this country and abroad. And we have provided research to solve many marketing problems, hold down marketing costs, and get better quality food and fiber to the consumer.

All of this marketing work that has grown up in the last 50 years is something of a mystery to the general public. So is the whole marketing process-- all of the buying and selling, shipping and storing, processing and packaging that goes on behind the scenes. It is just something that is taken for granted like turning the tap to get water.

To the rest of the world, however, the fact that we can take such a system for granted is also something of a miracle. Many countries send their Government officials and students here to study our distribution methods and marketing services, in the hope of emulating our system and providing a better life for their citizens.

Nevertheless, as we start a second half-century of marketing work in the Department of Agriculture, we feel that we are just on the threshold of marketing progress. We expect to see great advances in the years ahead-- new and better ways of processing and storing foods-- new concentrates-- new methods of preservation and packaging. We have already started a method of shipping in bulk containers that can eliminate much of the handling of perishable foods, cut costs, and preserve quality. Perhaps in the not-too-distant future, you will have pushbutton shopping at the supermarket, so that you won't have to go through the checkout counter. Or electronic computers to take your order over the telephone.

Such progress will come in the years ahead in the same way that-- but perhaps faster than-- progress has come during the past 50 years-- through the efforts of private industry, State colleges and universities and the U. S. Department of Agriculture-- working together to find the best ways of marketing our abundant farm production-- for the benefit of all.

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May 29, 1963

Statement of Charles S. Murphy  
Under Secretary of Agriculture  
Before The  
Committee on Finance of the  
United States Senate  
May 29, 1963

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Mr. Chairman, I welcome this opportunity to make clear to this Committee and to the American public that we do not face a sugar shortage in this nation despite a tight world sugar supply situation. As a result of a series of actions taken by the Department beginning some six months ago, we have sugar already on hand or committed to the United States for this year totaling 500,000 tons more than last year's entire national consumption.

This assurance of plentiful supplies available to us should help to eliminate uncertainty in our markets, discourage speculation, and contribute to a much more stable sugar situation than we have had in recent months. In fact, the last few days have seen significant price declines both here and abroad which, I believe, reflect the growing realization that the United States as a major consumer has enough sugar.

The Current Sugar Situation in the U. S.

I would like to elaborate on that statement. The consumption of sugar on a per capita basis in the United States has not varied significantly in recent years. It runs between 103 and 104 pounds per person. With the present population of 189 million, actual consumption of sugar in 1963 will approximate 9.8 million tons. The total of all sugar marketing quotas, both domestic and foreign, for this year amounts to 10.4 million tons. At this time, the supply assured to this country is just under 10,300,000 tons -- 10,287,000 tons to be exact.

Because the chronic condition of unmarketable sugar surpluses in the world changed to a balanced situation toward the end of last year and into a tight supply situation as this year progressed, many sugar users and distributors in the United States assumed that supplies in this country would also be scarce. This led them to stockpile sugar. Their inventories were already high at the beginning of the year as a result of a stock buildup in preparing for the waterfront strike. They added moderately to these stocks in the first quarter and at a more rapid rate during April and May. By May 18, they had increased their inventories during the current year some 500,000 tons. They now have an extremely long sugar position in terms of physical stocks, some part of which at least has been acquired at very high prices.

Total inventories of sugar in the United States -- exclusive of those in households -- are estimated to have been 2,100,000 tons a little more than a year ago on April 30, 1962, and 2,600,000 tons at the present time. Those quantities represented between 21 and 22 percent of the annual requirements in 1962 as compared to between 26 and 27 percent this year. Or said another way, the stocks on hand at the end of April 1962 represented about nine weeks of summertime consumption compared with 11 weeks toward the close of April this year. It should be noted that the increase over a year ago was in the hands of sugar users and traders. The inventories of primary distributors were slightly lower at the end of April than they had been a year earlier.

Sugar prices began to react in the middle of last week when it became known that the additional quantities added to the global quota as the result of the quota increase of May 2 had been virtually fully subscribed. The domestic price for raw sugar, which had been 13.2 cents per pound on May 23, fell to 11.6 cents by May 28. Likewise the world price for raw sugar, which had been 12.6 cents

May 23, fell to 11.1 cents by May 28. This was by far the greatest price correction this year.

These still represent substantial advances from the beginning of the year when the domestic price for raw sugar was 6.6 cents; and the world price for raw sugar was 4.8 cents per pound. We should note that a year earlier, in January 1962, the world price had dropped as low as 2.1 cents per pound.

Undoubtedly, there has been speculation in the sugar markets. But it is difficult to distinguish between prudent hedging or covering of risks by persons who produce and trade in sugar and sugar-containing products on the one hand, and outright speculation on the other. In both cases, the transition of sugar from a relatively stable-priced commodity to one which has seen substantial price change in the last six months would lead to increased activity.

In the futures market, the open position on the New York Coffee and Sugar Exchange in the contract for bulk raw sugar, duty paid New York, rose from 2,178 contracts on May 21, 1962, to 10,401 on May 24, 1963, or stated in terms of sugar from 117,712 short tons to 582,456 short tons. The open position in New York on the contract for world raw sugar during the same period increased from 2,752 to 10,133 contracts, or from 154,112 short tons to 567,448 short tons.

The sharply increased volume in the open position on the futures exchange undoubtedly had a substantial price effect. But perhaps more important were the purchases of sugar to build up stocks by the sugar using and distributing industries.

Those who have open long positions on the exchange and those who stockpile sugar should keep in mind the vulnerability of their position to changes in supplies, particularly the approaching larger harvest of sugarbeet and sugarcane crops, which gets underway in volume in October.

## The World Situation and Outlook

Sugar supplies for the United States are ample to meet consumer needs for 1963, even though the quantities available for export in the free world are much smaller than in recent years, and world stocks are being depleted.

Final estimates for the 1962-63 world sugar crop are expected to show a drop of some 5,500,000 tons from the record 60,077,000 ton production of 1960-61.

The shift from abundant free world sugar supplies to the tight situation now existing is due largely to the sharp decline in production in Cuba, formerly the world's largest sugar exporter, and the commitment of most of its sugar that is produced to the Communist bloc. The 1962-63 Cuban crop is only about half the peak output of 7,500,000 short tons in 1960-61. The 1961-62 crop had declined to 5,400,000 tons.

Prior to 1960 most of Cuba's sugar went to the United States and other countries of the free world. Since 1960 the major part has been shipped to the Communist Bloc, mainly to the USSR. Also stocks previously held in Cuba have been shipped to the Bloc.

Another major factor in the tight supply situation is the reduction in the beet crop of West Europe during the past two seasons when unfavorable weather affected yields. In each of these years production was over 2 million tons below 1960-61.

World consumption, which has been increasing about 2,000,000 tons per year, reached 58,500,000 tons in 1962-63. This was some 4,000,000 tons more than world production this year, resulting in higher prices. These high prices will result in a somewhat lower rate of increase in consumption in 1963, particularly in low income countries.

At the same time that higher prices are retarding consumption, they are undoubtedly bringing forth expanding output. There are many countries in the world with the potential to increase sugar production materially. The increase in prices in the world market has been too recent to be reflected as yet in current statistics on production. Present high prices are now spurring foreign countries to make the maximum use of present production facilities. This will include the harvesting of all available cane, including that which might not be worth milling at a lower price. Further, increased use of fertilizer promises to improve yields significantly on existing acres. This can be especially important in many major cane producing countries.

The 1963 acreage of sugar beets in Europe is 3 to 5 percent above 1962. Plantings were later than usual this spring, but more favorable weather in recent weeks has already partially offset the effect of the late planting. Favorable weather in Europe for the balance of the season should result in yields above those of the past 2 years.

In addition to the larger production in prospect in foreign countries, we can expect that in the United States, with normal weather conditions, production of domestic beet sugar and mainland cane sugar from the 1963 crop will be up about 500,000 tons over the 1962 crop. This will be a record output for U.S. producers.

There is no doubt that world production will again increase and overtake consumption. The speed with which this happens will depend upon the weather, the length of time required to induce new capital investment, and the policies of certain governments toward the sugar industry. We expect sugar prices to return to the normal range of U. S. prices, from 6 to 7 cents a pound, in the reasonably near future. We are not likely, however, to see serious price depressing surpluses again for some years ahead.



Actions Taken by USDA

The Department of Agriculture has taken a number of actions to assure sufficient supplies of sugar to the American consumer for this year and to spur domestic production. The chronology of those actions follows:

On August 21, 1962, the Department announced that there would be no restrictions on the production of the 1963 crop of sugarbeets. A similar announcement for the 1964 crop was made on March 14, 1963. On May 6, it was announced that the 1965 crop also would not be restricted.

Again, on August 21, 1962, the Department announced that the 1963 crop of mainland sugarcane could be as high as the level of the unrestricted 1962 crop -- which for Florida reflected more than a 100 percent increase over the 1961 crop. On March 14, 1963, the 1963 acreage restrictions on sugarcane were relaxed and on May 6 removed. At the same time, it was also announced that there would be no restrictions on the 1964 crop.

There have been no restrictions on sugarcane production in Hawaii, Puerto Rico, or the Virgin Islands in recent years.

Sugar marketing quotas were initially established at 9.8 million short tons for 1963 and raised to 10.4 million tons on May 6, 1963. The related actions in chronological order were:

(1) The Secretary announced on November 27, 1962, an intention to determine requirements (total quotas) at 9.8 million short tons, raw value -- the official determination of 1963 requirements had to be made under the law in the month of December. He also announced at that time the release of 750,000 short tons as global quota to be imported during the period January 1 to May 31, 1963. Finally,



he announced as of that date a tentative determination that the import fee on global quota sugar would be 1.8 cents per pound. He also specified that special consideration would be given to offers to purchase agricultural commodities (barter transactions) and for this reason would consider simultaneously all proposals submitted on or before December 20, 1962. The requirement of the law for considering these barter transactions was, of course, a complicating factor making procurement of supplies more difficult in a shortage situation.

(2) On December 7, 1962, the Secretary officially confirmed the determination of 9.8 million-ton requirements, the release of 750,000 tons to global quota for January-May importation and, because of higher world prices, officially established the import fee at 1.40 cents per pound on global quota sugar. He also reconfirmed that for the purpose of considering barter proposals, all proposals received on or before December 20 would be considered simultaneously.

(3) On December 26, 1962, the Secretary announced the allocation of approximately 114,000 tons of global quota sugar. The largest allocation was to Brazil and involved a commitment by Brazil to utilize 100 percent of the net receipts for the purchase of U.S. agricultural commodities. The second largest was to South Africa with a commitment to use 40 percent of the receipts for that purpose and the smallest allocation was to the Dominican Republic which did not agree to use any part of the receipts for the purchase of U.S. agricultural commodities. It should be observed that by December 20 world prices had risen to a point that necessitated sales to the United States under the global quota and import fee to be at a discount under the world price. That accounts for the small offerings of global quota sugar by December 20.

(4) On January 22, 1963, the domestic sugar price was above the price objective of the Sugar Act and the world price was above the equivalent of that price objective. Accordingly, the import fee was reduced to zero in an action taken January 23. The 636,000 tons of global quota sugar was subscribed immediately after this action.

(5) On January 31, an additional 350,000 tons of global quota sugar was released, bringing the total to 1,100,000 tons.

(6) On February 26, the Secretary determined that Puerto Rico would fail by 220,000 tons to fill its 1963 quota and reallocated that and 11,000 tons of quota prorations withheld from net importing foreign countries to the Republic of the Philippines and to Western Hemisphere countries as a group. This proration is on the basis set forth in the Fulbright amendment to the Sugar Act. This was the earliest that such a deficit determination had ever been made, since the harvest of the Puerto Rican crop was just getting underway. However, early outturns confirmed the fear that Puerto Rico would again have a poor sugar outturn. Simultaneously, the Secretary increased the global quota by an additional 200,000 tons to a total of 1,300,000 tons.

(7) On February 28, the Department announced the assignment of approximately 74,000 tons of the deficit sugar and the 200,000 tons of global quota sugar for importation on or before October 31, 1963.

(8) On April 5, the Secretary released the remaining 204,000 tons of global sugar quota, bringing the total global quota released to 1,504,000 tons.

(9) On April 24, the Department announced that 100 percent of the global quota and 100 percent of the deficit allocation had been assigned for importation but called attention to the fact that only 38.9 percent of the country quotas had been committed for importation. It also stated that consideration was being given to various methods of encouraging the speeding up of offerings under the respective country quotas.

(10) On May 6, the 1963 requirements were increased 600,000 tons to 10.4 million tons and deficits were declared of the beet sugar area's share of the increase, 291,537 tons, and of 50,000 tons for Puerto Rico. It was also determined that the Republic of the Philippines and Western Hemisphere countries could not supply all of the deficits declared and a portion was therefore added to the global quotas. The end result of the changes was to increase (1) the quota for the main-land cane area 98,463 tons, (2) the quotas for individual foreign countries 87,948 tons, (3) the deficit reallocations to the Republic of Philippines 49,704 tons, (4) the deficit reallocation to Western Hemisphere countries 192,568 tons, and (5) the global quota 221,317 tons to 1,715,658 tons -- 650,000 tons in all.

#### 1963 Sugar Supplies for United States

Sugar supplies assured to this country by foreign suppliers and available from domestic areas in 1963 total 10,287,000 tons, or more than 500,000 tons in excess of the record domestic distribution of 9,754,000 tons in 1962.

Of the global quota of 1,725,000 tons, less than 2,000 tons remained unallocated (or charged) to quota at the close of business May 23.

Of the deficit reallocations totaling 473,000 tons, 320,000 tons have been charged to quota and the Republic of the Philippines has given assurances

that it would fill the 52,000 tons it had been reallocated. There remains, therefore, 101,000 tons to be reallocated to Western Hemisphere countries.

Adjusted marketing quotas for the domestic areas total 5,703,000 tons. These are shown in Table I.

Table I

Adjusted quotas for Domestic Producing Areas

	<u>Short tons, raw value</u>
Domestic Beet Sugar	2,698,590
Mainland Cane Sugar	1,009,873
Hawaii	1,110,000
Puerto Rico	870,000
Virgin Islands	<u>15,000</u>
Total	5,703,463

Foreign supplies now assured total 4,584,000 tons, of which 3,161,000 tons have been charged to quotas and 1,423,000 tons have been assured as a result of inquiries sent to the foreign supplying countries. Data on quotas, quota charges and total United States imports by countries of origin are shown in Table II.

Virtually all sugar to be imported under the global quota of 1,725,000 tons has been charged to the quota, thus assuring importation by November 15. It is anticipated that some of this sugar will be imported at an earlier date.

Of the reallocations of deficits totaling 473,000 tons, 67.7 percent will be imported by October. When the additional 52,000 tons promised by the Republic of the Philippines is charged, such charges will amount to 78.6 percent of the deficit declarations.

Of the basic foreign country quotas totaling 2,498,000 tons, 1,118,000 tons or 45 percent had been charged by the close of business May 23 for importation not later than July. To obtain information on the remaining 1,380,000 tons or 55 percent, inquiries were sent to all foreign supplying countries asking for the extent and time of their additional shipments. The replies covered substantially all of the remaining basic quotas and the recent deficit reallocation of 52,000 tons to the Republic of the Philippines. The arrival time of sugar by months under the several quotas in accordance with quota charges made to date and indicated arrival time of additional supplies are shown in Table III.

Visible inventories of sugar (stocks held by refiners, beet processors and importers) at the end of April amounted to 1,621,000 tons, or approximately 83,000 tons less than at the end of April 1962. Invisible inventories (stocks held by wholesalers, retailers, and industrial users) are believed, on the basis of distribution data since last fall, to approximate one million tons or to be around 600,000 tons larger than they were a year ago. Of this excess, 100,000 tons accumulated late in 1962 and 500,000 tons this year.

We intend to continue to pursue aggressively all actions necessary to assure adequate supplies of sugar for American consumers. We can, I believe, look with reasonable confidence beyond 1963. Domestic production is increasing. With the removal of restrictions on beets and sugarcane, we can expect this increase in domestic production to continue. In addition, the new legislation under which we have been operating this year provides a flexible means in the global quota for obtaining foreign supplies when our own production and supplies scheduled to be obtained under country quotas fall short.



We believe the global quota has attracted large supplies of sugar to this market at this time when they are needed and that corresponding quantities could not have been obtained had we been completely dependent on country quotas.

Country quotas are established on an annual basis and each of the 25 countries with quotas have the right to send the sugar into the United States at any time during the year when market prospects are to their liking. In contrast, most of the sugar sellers of the world may compete for the right to ship sugar here under the global quota. Assignments from the global quota are made on a first-come-first-served basis so that a seller cannot delay committing his sugar if he wishes to be sure of placing it in this market. Furthermore, the global quota enables our buyers to purchase sugar in countries which do not have quotas and from which sugar could not be acquired under a complete country quota system.

The global quota within the current total quotas of 10.4 million tons amounts to more than 1.7 million tons and is fully subscribed. All of the global quota sugar will arrive here before November 15 and the great bulk of it will have arrived before the end of the heavy sugar-consuming period on September 30. This is most helpful at this time.

We also believe that the existing country quotas are very useful to us in the present situation.

We have commitments that the country quotas will be substantially filled at a time when the rapid rise in the world price of sugar has opened opportunities elsewhere to them. Holders of country quotas have acknowledged their responsibilities in this regard.



Favorable prices to sugar producing countries will set in motion an increase in production. While we should not look to prices as low as those that prevailed in the world markets early last year -- clearly at disaster levels for many foreign countries -- there should be substantial reductions from current levels, as the world supply and demand situation comes into better balance.

Finally, let me say that all of us should be grateful for our Sugar Act and the assurance it makes possible for sugar supplies at this time. It should be abundantly clear that U.S. sugar supplies today would be infinitely more precarious if we had not had the protection of this law and the quota system over the past 30 years. For without this system, our domestic sugar industry might not have survived the disastrously low world prices of 1960-62. U.S. farmers today are producing and the U.S. processing industry is manufacturing six million tons of sugar that constitute nearly 60 percent of our sugar supplies. The protection that the Sugar Act has afforded over the years has maintained a healthy and growing domestic sugar industry which is indispensable in such a period of world shortage.

(more)

TABLE II

SUGAR QUOTAS FOR FOREIGN COUNTRIES AND INDICATED ADDITIONAL OFFERINGS  
CALENDAR YEAR 1963, AND CHARGES TO QUOTAS BY COUNTRIES C.O.B. MAY 23, 1963

Country	Basic Country Quotas (S.T.R.V.)	Charges		to: Global Quota short tons	Total Quota Charges raw value	Indicated Additional Offerings	Total Prosp. Imports.
		Basic	Deficit Re- allocations (Thousands,				
Philippines	1,050,000	523	106		628	579	1,208
Dominican Republic	336,243	86	37	202	326	275	601
Peru	206,243	50		212	262	156	418
Mexico	206,243	191	116	22	329	15	344
Brazil	195,793	0		281	281	196	477
Br. West Indies	98,050	78	46		123	43	166
Australia	43,339	11		175	186	33	218
Rep. of China	38,114	38		36	74	0	74
French West Indies	32,581	15		66	81	2/	81
Colombia	32,581	0		46	46	33	78
Nicaragua	27,048	14		15	29	19	48
Costa Rica	27,048	19		10	29	2/	29
Ecuador	27,048	0		28	29	27	55
India	21,823	20		102	122	0	122
Haiti	21,823	15	7	12	34	2/	34
Guatemala	21,823	20	6	19	46	2/	46
South Africa	21,823	0		111	111	22	133
Argentina	20,000	9		217	226	11	237
Panama	16,290	12			12	5	16
El Salvador	11,065	10	2	7	19	2/	19
Paraguay	10,758	0			0	0	0
British Honduras	10,758	0			0	0	0
Fiji Islands	10,758	0		24	24	11	35
Ireland	10,000	5			5	2/	5
Belgium	182			8	8	0	8
France				24	24		24
Reunion				11	11	0	11
Southern Rhodesia				11	11		11
Mauritius				67	67		67
Turkey				7	7		7
Venezuela				12	12		12

Totals	2,497,434	1,118	320	1,723	3,161	1,423	4,584
Quota Balance		1,380	153	2			
Total Charges Plus Balances		2,498	473 1/	1,725			

1/ Total quota deficits: Rep. of Philippines 157,618; Western Hemisphere Countries 315,827.

2/ No report.

TABLE III

CHARGES TO CALENDAR YEAR 1963 SUGAR QUOTAS AND INDICATED ADDITIONAL ARRIVALS  
FROM FOREIGN COUNTRIES BY MONTH OF EXPECTED ARRIVAL, C.O.B. May 23, 1963

Month of Expected Arrival	Quantities Charged To:			Total Quota Charges	Indicated Additional Arrivals	Total Prospective Imports <sup>1/</sup>
	Basic Quotas	Deficit Reallo- cations	Global Quota <sup>1/</sup>			
	(Thousands,		Short	Tons,	Raw	Value)
January	58	0	121	179	--	179
February	169	0	169	338	--	338
March	245	2	120	367	--	367
April	255	45	152	452	--	452
May	215	124	147	486	--	486
June	125	12	91	228	152	380
July	51	34	84	169	177	346
August	--	50	105	155	233	388
September	--	37	289	326	259	585
October	--	16	167	183	319	502
November	--	--	278	278	217	495
December	--	---	--	--	66	66
Total Prospec- tive Imports	1,118	320	1,723	3,161	1,423	4,584
Quota Balances <sup>2/</sup>	1,380	153	2	1,535		
Total Quotas	2,498	473	1,725	4,696		

<sup>1/</sup> Imports may be earlier than indicated.

<sup>2/</sup> Prospective importations within such balances are included in indicated additional arrivals.



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June 5, 1963

Statement of Charles S. Murphy  
Under Secretary of Agriculture  
Before The  
House Banking and Currency Committee,  
Consumer Affairs Subcommittee  
June 5, 1963

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JUL 10 1963

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Madam Chairman and members of the Subcommittee, in the two weeks that have elapsed since your Subcommittee announced its inquiry into the rise in the price of sugar, the trend in sugar prices has sharply reversed.

On May 23, the rapid upward climb in prices came to an abrupt halt. Since that date prices have been coming down as rapidly as they had been going up.

As of last night, the world price of raw sugar -- which had peaked at 12.6 cents on May 23 -- had fallen by 2.95 cents, to 9.65 cents.

The price of raw sugar delivered in New York, duty paid -- which had reached a high of 13.2 cents on May 23 -- had fallen by 4.2 cents, to 9.0 cents.

The wholesale price of refined cane sugar in the Northeast -- which had been raised to 16.3 cents on May 23 -- had been reduced by .8 cents, to 15.5 cents.

The wholesale price of beet sugar on the Pacific Coast -- which had reached a high of  $15\frac{1}{4}$  cents on May 23rd -- had been lowered by .75 cents, to 14.5 cents.

All of yesterday's prices were still considerably higher than the levels at the beginning of this year, when the world price was 4.8 cents, the raw sugar price in New York was 6.6 cents, the cane sugar wholesale price was 9.9 cents, and beet sugar wholesale price 9.2 cents. But the trend is still downward. We believe the price of raw sugar will reach the normal levels of 6 to 7 cents a pound again in the reasonably near future.

The Department of Agriculture does not collect data on retail sugar prices; these data are compiled by the Department of Labor. The latest published data are for April, 1963, and these show a price of 12 cents a pound, up only .4 cent from a year earlier. We all know, however, that sugar prices in retail stores were raised following the rise in the wholesale price, and the May figures are certain to show some increase. After price declines in raw sugar are fully reflected in declines in prices of refined sugar it can be expected that retail prices will also turn downward.

The abrupt reversal of the price trend on May 23 appears to have been brought about primarily by the release of information by this Department demonstrating conclusively there was not -- and was not going to be -- a sugar shortage here. The price increase had been based upon fears of a domestic sugar shortage, not upon any reality of one. When the facts were brought to light, the fears evaporated.

This raises a question, of course, as to why the fears originated in the first place, and why they continued as long as they did.

We welcome the inquiry of your Subcommittee into this entire question, because there are many aspects of it that we do not claim to fully understand. As we see it, however, this is essentially what happened:

#### Causes of the Price Increases

For many years prior to last year, the world had a continuing sugar surplus. The world price of raw sugar fell early in 1962 to a little over 2 cents a pound, a price so low that many countries deliberately took steps to curtail production. But even as that low point was reached last year, the world supply-demand balance was already shifting from one of relative ease to one of relative tightness. This



shift was due to two causes: First, the decline in sugar production in Cuba under the Communist regime, and the commitment to the Communist bloc of most of the sugar that Cuba did produce; second, the drop in sugar beet production in Europe in 1961 because of bad weather. Last year, the European beet crop failed for the second year in a row, and by last fall sugar stocks in the principal exporting countries had been drawn down well below normal levels.

What followed was a classic illustration of how supply and demand factors interact in a free market. As supplies became tighter, sellers began asking higher prices. As prices began to rise, buyers accelerated their buying to lay in bigger supplies in anticipation of still higher prices -- or of actual shortages. In doing so, they bid up prices still further, and an upward spiral was set in motion.

The acceleration of buying by users and distributors in this country started slowly at first, in about November of last year. It continued at a moderate pace until early in April of this year, when it began to gather momentum.

These developments set the stage, of course, for some speculation. But it is difficult to distinguish between prudent hedging or covering of risks by persons who produce and trade in sugar and sugar-containing products, on the one hand, and outright speculation on the other. In both cases, the transition of sugar from a relatively stable-priced commodity to one of the substantial price changes would lead to increased activity.

In the futures market, the open position--that is, the number of unfilled contracts--on the New York Coffee and Sugar Exchange for bulk raw sugar, duty paid

New York, rose from 2,178 on May 21, 1962, to 10,401 on May 24, 1963. In terms of sugar volume, the rise was from 117,712 short tons to 582,456 short tons. The open position in New York on the contract for world raw sugar during the same period increased from 2,752 to 10,133 contracts, or from 154,112 short tons to 567,448 short tons.

The sharply increased volume in the open position on the futures exchange undoubtedly had a substantial price effect. But of more basic importance were the purchases of sugar to build up stocks by the sugar using and distributing industries.

#### How the Sugar Act Operates

Before explaining what the Department of Agriculture has done about the sugar situation, perhaps I should pause to outline briefly how the Sugar Act operates.

That Act apportions the American sugar market between domestic and foreign suppliers, approximately 60 percent to domestic and 40 percent to foreign. The domestic share is in turn apportioned among the beet sugar area, the mainland cane area (Louisiana and Florida), and the three offshore producing areas, the State of Hawaii, the Commonwealth of Puerto Rico, and the Virgin Islands. The foreign share is divided among 25 countries which are assigned specific quotas in the law and a global quota. The global quota is an amount reserved for Cuba whenever diplomatic relations with that country are resumed; until such time, this global quota is made available to other foreign countries, with a preference for Western Hemisphere countries and countries that purchase U.S. agricultural commodities.

Prior to the beginning of each year, the Secretary of Agriculture is obliged to announce a national consumption estimate for that year. This sets

the total amount which is apportioned under the quota system. In December of last year, the Secretary announced a national consumption estimate for 1963 of 9.8 million tons. This resulted in the following breakdown among suppliers:

Domestic:	
Beet sugar area	2,698,590
Mainland cane area	911,410
Hawaii	1,110,000
Puerto Rico	1,140,000
Virgin Islands	<u>15,000</u>
Sub-total domestic	5,875,000
Foreign:	
25 quota countries	2,420,659
Global quota	<u>1,504,341</u>
Sub-total foreign	3,925,000
Grand Total	9,800,000

Whenever the Secretary determines that a country, or a domestic producing area, cannot meet its quota, he is empowered to reallocate the amount of the deficit. The law assigns nearly one-half of any such deficits to the Philippines and opens up the remainder to countries of the Western Hemisphere on a first-come, first-served basis with special consideration to those purchasing United States agricultural commodities.

This is the basic system of marketing quotas. As a means of apportioning domestic production among individual sugar growers, the law also provides for acreage allotments, or "proportionate shares." Total acreage allotted is calculated on the basis of what is required to produce the amount of beet and cane sugar which can be sold under the respective marketing quotas.

To offset the higher production costs of domestic production and thus enable domestic producers to compete with foreign producers, the Sugar Act provides for payments to growers according to the tonnage of sugar produced. These payments are financed from a tax of  $\frac{1}{2}$  cent per pound levied on sugar processed or imported for domestic consumption. When the price of imported sugar remains under the domestic price, an import fee equal to the difference is imposed upon the importer and returned to the Treasury.

#### Changes from Previous Sugar Legislation

The Sugar Act amendments of 1962 differed from the previous sugar legislation in two main respects.

First, under the previous act the entire United States consumption was assigned in domestic or individual country quotas. There was no global quota.

Second, the foreign supplier sold in our market at our price and -- when the world price was under the domestic price -- retained the difference as a premium. That amounted to about \$200 million in each of the years 1959, 1960 and 1961. There was no import fee to recapture this premium for the United States.

A number of critics of the present Sugar Act are currently suggesting that Congress made a mistake last year and that our difficulties are attributable to the changes made in the previous sugar legislation.

These critics argue that if foreign suppliers were guaranteed a premium price in our market at a time when the world price is low, they would place such a high value on this guarantee that they would be willing to supply our needs at reasonable prices when the world price is high. They point out that foreign suppliers did meet our needs at our prices on two occasions when the world price rose during the time the previous legislation was in effect.

In our judgment, when all the facts are taken into account, it appears that the changes in the law made it possible to deal with the current situation better than would have been possible without such changes.

In the first place, the former law was never tested during a period when supply-demand relationships were thrown as sharply and suddenly out of balance as they were by the loss of the Cuban production and the two bad European beet crops.

The basic stabilizing factor in the previous situation was not, we believe, the country quota and premium price system so much as it was the huge supply of Cuban sugar. That nation was the world's largest producer and exporter of sugar; it supplied about one-third of U.S. consumption needs. Cuba normally carried ample stocks, under tight central control, and it could quickly expand production to meet emergency needs. The root cause of the present instability is not the change in the law; it is the loss of that central stabilizing factor in the previous situation-- the 6- to 7-million-ton Cuban sugar crop. No country, or combination of countries, is yet able to produce supplies in such volume as to create the same stabilizing influence.

The establishment of the global quota, as a partial alternative to a complete country quota system, has been particularly criticized. But it appears that, in the present circumstances, the existence of both the individual country quotas and the global quota gives us the advantages of both systems. On the one hand, the individual countries feel a definite responsibility to fill their quotas. On the other hand, we can through the global quota obtain supplies from anywhere in the world -- from nations which have no quotas or which have filled their quotas. If there were no global quota, that sugar would not be allowed to enter the country.



For example, we have obtained 67,000 tons from the Island of Mauritius. That island has no quota. We have obtained a total of 65,000 tons from France, Turkey, Venezuela, Southern Rhodesia, and Reunion. None of these countries have quotas.

From the three countries of Mexico, Peru, and Brazil, we have obtained a total of 870,000 tons already this year. Those countries have a combined quota of 608,000 tons. Argentina has a quota of 20,000 tons but will supply us 226,000. India has sold us 122,000 against a quota of 21,000; Australia 186,000 against a quota of 43,000.

Altogether, about a million tons of sugar have been obtained through the global quota that could not have entered the United States within the country quotas as now established.

True, if the global quota had been parceled out in country quotas last year in an exact relationship to what turned out to be the availability of sugar this year, the sugar could of course have come in. But to apportion quotas with such precision, in the course of drafting legislation, is virtually impossible -- as the discrepancies between quotas and sugar availability in such cases as Australia, India, and Argentina illustrate.

If there were no global quota, it is almost a certainty that country quotas would have had to be suspended by this time in order to permit sugar to enter the United States from wherever it might be found.

It is not an over-statement to say that in this period of tight world sugar supplies the global quota has been our salvation. Without it, the entire quota system would in all probability have broken down.



Actions to Assure Our Sugar Supply

Since it became apparent that world sugar supplies were tightening, the Department of Agriculture has taken a series of steps to assure that United States users would not experience any sugar shortage.

All controls on domestic sugar production have been removed. There have been no Governmental controls on production in Puerto Rico, Hawaii or the Virgin Islands in recent years and there have been none in the domestic sugarbeet area since 1960. We have also announced that there will be no such controls in the domestic sugar beet areas in 1964 and 1965. In the mainland sugar cane area, 1963-crop acreage was originally established at the level of 1962 acreage, which for Florida reflected a 100-percent increase over the 1961 acreage. Early in May, it was announced that the 1964 crop would be unrestricted and that the 1963 restrictions were removed.

The only restrictions on domestic sugarbeet and mainland cane production, therefore, are those resulting from a limitation of processing capacity. One of the major objectives of the Department in announcing that restrictions would not be imposed on sugar beet production in 1964 and 1965 was to encourage the modernization and expansion of existing factories and the enlargement of factories now under construction.

The global quota for 1963 was authorized for early commitment -- release of the first 750,000 tons being announced on Nov. 27 last year. The remaining amounts were authorized for commitment on Dec. 26, Jan. 31, Feb. 28, and April 5. All of these allocations, totaling 1,504,000 tons, were promptly committed. The commitments were expedited when the variable import fee was removed on Jan. 23, after the world price rose to our domestic price level.

On February 26, the Secretary determined that Puerto Rico would fail by 220,000 tons to meet its quota and reallocated the deficit to the Philippines and the Western Hemisphere countries as the law specifies.

By May 6, it became apparent that stockpiling of sugar by industrial users and wholesale and retail distributors had reached such proportions in this country that at least some distribution pipelines would run dry unless the United States entered the world market for more sugar. On that date, accordingly, the Department announced an increase in the national consumption estimate for 1963 of 600,000 tons.

The beet sugar area's share of the increase was declared to be in deficit. At the same time, an additional 50,000 tons of Puerto Rico's quota was found to be in deficit. The Secretary determined that the Republic of the Philippines and Western Hemisphere countries could not supply all of the deficits declared and a portion was therefore added to the global quotas. The end result of the changes was to increase quotas by the following amounts: (1) mainland cane area, 98,463 tons, (2) individual foreign countries, 87,948 tons, (3) Republic of the Philippines, 49,704 tons, (4) Western Hemisphere countries as a group, 192,568 tons, and (5) global quota, 221,317 tons.

The 600,000-ton increase in our consumption estimate is about equal to the stockpiling that has taken place among distributors and industrial users of sugar -- as measured by refiner and processor sales in the last six months compared

to normal sales. Stocks in the hands of distributors and users are estimated at 1,000,000 tons -- two and one-half times as large as normal.

Meanwhile, we took steps to assure that sugar tonnage assigned by the basic country quotas would be delivered. We communicated with every country with an unfilled quota and received definite replies covering virtually the entire amount. The assurances received from them are listed in the next to last column of Table I.

Holders of country quotas have acknowledged their responsibilities to see that the sugar arrives this year. Promised deliveries, by months, are included in the figures on Table II.

As soon as we had received most of the replies from the quota countries, we made public the information that the United States will have available enough sugar this year to meet all of its consumption needs -- plus the unnecessary stockpiling that had taken place. This information, as I observed earlier, contributed to the reversal of price trends.

#### The Current Price Outlook

The basic fact governing the price outlook is the assurance that this country will have ample supplies of sugar.

Total inventories of sugar in the United States -- exclusive of those in households -- are estimated to have been 2,100,000 tons a little more than a year ago on April 30, 1962, and to be 2,600,000 tons at the present time. Those quantities represented between 21 and 22 percent of the annual requirements in 1962 as compared to between 26 and 27 percent this year. Or said another way, the stocks on hand at the end of April 1962 represented about nine weeks of summertime consumption compared with 11 weeks toward the close of April this year. It should be noted that the increase over a year ago was in the hands of sugar users and traders. The inventories of primary distributors were slightly lower at the end of April than they had been a year earlier.

Particularly in the later months of this year, supplies of sugar in the United States are almost certain to be substantially more than adequate to meet consumption requirements during that period. Heavy deliveries of foreign quota sugar are in prospect for September, October, and November and the marketing in volume of domestically produced beet sugar begins in October. These ample supplies of sugar in the United States this Fall will, in turn, exert a strong downward pressure on prices.

As we have seen from the behavior of the sugar market during the past two weeks, the outlook for lower prices is strongly reflected in current trading. Users of sugar, particularly industrial users, when they can expect to buy sugar at sharply lower prices a few months hence will have a tendency to use existing stocks instead of buying additional sugar at today's prices.

The newspapers have reported, and we believe that our statistics will shortly show, that the stockpiling of sugar has stopped -- indeed, that industrial users and sugar distributors are decreasing their inventories in anticipation of plentiful supplies and lower prices in the future. Postponement of buying will accelerate the current price decline in the same way that inventory-building accelerated the price inflation prior to May 23.

Suppliers of sugar, on the other hand, will wish to market their sugar in the United States as promptly as possible to gain as much advantage as possible from the prevailing higher prices before they sink to the levels expected next fall. These two factors working together -- the inclination of users to hold back on their purchases and the inclination of suppliers to speed up their sales -- both in anticipation of lower prices in the Fall -- can be expected to continue to exert a strong corrective pressure on the market from this point on.

## The Longer-Range Outlook

We can expect that world supply and consumption of sugar will come back into balance -- probably by next year.

At the same time that higher prices are retarding consumption, they are bringing forth expanding output. Many countries in the world have the potential to increase sugar production materially. Present high prices are now spurring foreign countries to make the maximum use of present production facilities. This will include the harvesting of all available cane, including that which might not be worth milling at a lower price. Further, increased use of fertilizer promises to improve yields significantly on existing acres. This can be especially important in many major cane producing countries.

The 1963 acreage of sugar beets in Europe is 3 to 5 percent above 1962. Plantings were later than usual this spring, but more favorable weather in recent weeks has already substantially offset the effect of the late planting. Favorable weather in Europe for the balance of the season should result in yields above those of the past two years.

In addition to the larger production in prospect in foreign countries, we can expect that in the United States, with normal weather conditions, production of domestic beet sugar and mainland cane sugar from the 1963 crop will be up about 500,000 tons over the 1962 crop. This will be a record output for U.S. producers. With all acreage restrictions removed, the 1964 production should be even higher.

The speed with which world production will increase and overtake consumption will depend upon the weather, the length of time require to induce new capital investment, and the policies of producing countries toward their sugar industries. We expect sugar prices to return to the normal range



of U.S. prices in the reasonably near future. We are not likely to see serious price depressing surpluses again for some years ahead. The prices that prevailed in the world market early last year were at disaster levels for many foreign countries.

Finally, let me say that all of us should be grateful for our sugar legislation over the years and the assurance it has made possible for sugar supplies at this time. It should be abundantly clear that U.S. sugar supplies today would be infinitely more precarious if we had not had the protection of this law and the quota system over the past 30 years. For without this system, our domestic sugar industry might not have survived the disastrously low world prices of 1960-62. U.S. farmers today are producing and the U.S. processing industry is manufacturing 6 million tons of sugar that constitutes nearly 60 percent of our sugar supplies. The protection that the Sugar Act has afforded over the years has maintained a healthy and growing domestic sugar industry which is indispensable in such a period of tight world supplies.

The attached tables show import commitments and prospects, and prospective supplies from all sources, by months, during 1963.

(more)



TABLE I

SUGAR QUOTAS FOR FOREIGN COUNTRIES AND INDICATED ADDITIONAL OFFERINGS  
CALENDAR YEAR 1963, AND CHARGES TO QUOTAS BY COUNTRIES C.O.B. MAY 23, 1963

Country	Basic Country Quotas (S.T.R.V.)	<u>Charges</u>		to: Global Quota Charges	Total Quota Charges	Indicated Additional Offerings	Total Prosp. Imports
		Basic	Deficit Re- allocations (Thousands,				
Philippines	1,050,000	523	106		628	579	1,208
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Peru	206,243	50		212	262	156	418
Mexico	206,243	191	116	22	329	15	344
Brazil	195,793	0		281	281	196	477
Br. West Indies	98,050	78	46		123	43	166
Australia	43,339	11		175	186	33	218
Rep. of China	38,114	38		36	74	0	74
French West Indies	32,581	15		66	81	2/	81
Colombia	32,581	0		46	46	33	78
Nicaragua	27,048	14		15	29	19	48
Costa Rica	27,048	19		10	29	2/	29
Ecuador	27,048	0		28	29	27	55
India	21,823	20		102	122	0	122
Haiti	21,823	15	7	12	34	2/	34
Guatemala	21,823	20	6	19	46	2/	46
South Africa	21,823	0		111	111	22	133
Argentina	20,000	9		217	226	11	237
Panama	16,290	12			12	5	16
El Salvador	11,065	10	2	7	19	2/	19
Paraguay	10,758	0			0	0	0
British Honduras	10,758	0			0	0	0
Fiji Islands	10,758	0		24	24	11	35
Ireland	10,000	5			5	2/	5
Belgium	182			8	8	0	8
France				24	24		24
Reunion				11	11	0	11
Southern Rhodesia				11	11		11
Mauritius				67	67		67
Turkey				7	7		7
Venezuela				12	12		12
Totals	2,497,434	1,118	320	1,723	3,161	1,423	4,584

Quota Balance 1,380 153 2

Total Charges Plus Balances 2,498 473 1/ 1,725

1/ Total quota deficits: Rep. of Philippines 157,618; Western Hemisphere Countries 315,827.

2/ No report.

Table II

ACTUAL AND PROSPECTIVE DELIVERIES OF SUGAR IN THE UNITED STATES  
 BY MONTHS - 1963  
 (1,000 Short Tons, Raw Value)

Month	S O U R C E					Total
	Foreign	P.R. & V.I.	Hawaii	Mainland Cane	Beets	
January	179	1	64	63	171	478
February	338	50	57	70	169	684
March	367	131	75	70	219	862
April	452	135	79	50	196	912
May	486	138	105	47	235	1,011
June	380	135	125	10	250	900
July	346	140	125	5	260	876
August	388	90	115	5	270	868
September	615	45	115	0	210	985
October	502	20	100	75	220 <sup>1/</sup>	917
November	495	-	75	250	225 <sup>1/</sup>	1,045
December	66	-	75	365	275 <sup>1/</sup>	781
	4,614	885	1,110	1,010	2,700	10,319

<sup>1/</sup> Stocks of beet sugar will rise in the last quarter and should approximate 1,500,000 tons by December 31, 1963. Therefore, ample beet sugar will be available for a much larger distribution if desired.

- - - - -

Reverne  
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June 29, 1963

SERVICE: THE MAIN STREAM OF AGRICULTURAL POLICY

I am delighted to be here with you today in the heart of this great State. Alexandria, here on the banks of the Red River, is the geographical center of Louisiana. And, as such, it is a very advantageous location for state offices of Federal agencies, such as ours.

I am told Alexandria is so centrally located that you can step into an automobile and drive to almost any point in Louisiana and back in one day's time.

This is of great help to a soil conservationist, a forester, a farmer fieldman, an FHA loan officer, or a statistical reporter, who must constantly be moving about the State to the cotton farms and the pinelands north of here and to the sugarcane plantations and rice fields to the south. And it is a help to the farmer who uses their services.

This is why we are particularly pleased to be here today to participate in the dedication of this handsome, new headquarters building to house the State offices of our Agricultural Stabilization and Conservation Service, Soil Conservation Service, Farmers Home Administration, and Statistical Reporting Service.

In so doing, we are bringing back together again, under one roof, this family of four of our United States Department of Agriculture agencies in Louisiana that have been separated since 1959.

The important thing about this building we dedicate, however, is not its handsome, modern design, or the steel and concrete and brick

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Address by Under Secretary of Agriculture Charles S. Murphy at the dedication of a new U. S. Department of Agriculture building at Alexandria, Louisiana, 11:15 a.m. (CST) Saturday, June 29, 1963.

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and mortar and glass that went into its construction. The important thing is the building's purpose and the people who use it.

You may remember the story that, over the theatre stage door entrance to the famous Earl Carroll's Vanities in New York, there was a sign that read: "Through these portals pass the most beautiful girls in the world."

Well, I can paraphrase that to say that through these portals pass some of the finest, most talented and most conscientious public servants in the world -- people who have -- and daily take advantage of -- a tremendous opportunity for service to their fellow man.

Few callings in this complex world of ours are more important than the very basic one of providing the food that sustains human life. This is the essential objective of the men and women of ASCS -- of FHA -- of SCS -- and of SRS, who from this building fan out into all the parishes of Louisiana. They are dedicated to helping our farmers produce and market the food and fiber needed to keep 189 million Americans alive and healthy -- as well as additional quantities that can be sent abroad to millions of people in other lands. They are dedicated to conserving our resources of soil and water, and to strengthening our family farm system of agriculture, so that this country will have in the years ahead the most absolute essentials for maintaining its place as a great nation.

The beneficiaries of their work are not just the rice planter down in Acadia Parish, the sugarcane producer in Iberia, the cotton grower up in East Carroll, or the dairyman over in Washington Parish.





The stevedore, the shipbuilder, the banker and the lawyer and the office worker in New Orleans also benefit from these efforts. So does the industrialist up in Shreveport, the chemist down at Lake Charles, the refinery worker and the professor at Baton Rouge, the wholesaler in Monroe, and the clerk, the lawyer and the railroad worker here in Alexandria.

The U. S. Department of Agriculture serves all the people -- in the cities as well as on the farms. It is a department of government that serves the consumer as well as the producer.

Like most people, I had little idea of the enormous scope of the Department's activities and services to the people of this country, and the entire world, until I went with the Department in 1961.

I have found it to be a fabulous, fascinating and altogether an astounding Department of government. I have been learning more about it with growing amazement during each day of the past two and a half years.

Not long ago in Washington I was surprised to get a call from a friend who wanted me to help him get a hotel reservation in Oregon. The reason he gave was that the hotel was in a National Forest and was owned by the Forest Service.

The Forest Service is in the Department of Agriculture. So I inquired as to whether we did in fact own the hotel. And I found out that not only did we own this hotel, but that in addition the National Forests also have 417 other hotels, lodges, and resorts; 18,230 cabins; 556 organization camps; 4,221 campgrounds; 1,264 picnic areas; 196 swimming sites; and 391 boating sites. The picnic and camping areas



alone can accommodate more than 325,000 persons at one time, and last year there were 113 million recreational visits to the National Forests.

We have, as you know, the Kisatchie National Forest in Louisiana, regional offices in New Orleans, and the fine facility right here at nearby Camp Bureaugard.

We do not have in Louisiana such large hotel developments as the type my friend referred to in Oregon. However, we do have excellent accommodations for the general public on the Kisatchie, which is over a half million acres in size.

We have at Caney Lake a very attractive lodge plus 20 cabins to accommodate the public. This area is very popular for water skiing and boat racing. In addition, we have nine separate areas for camping and picnicking which afford accommodations for 202 family units. Also, we have developed swimming lakes, boating marinas and organization camps. And have set aside three areas where the public can lease summer homesites.

But the Forest Service, as big and important as it is, is just one of 16 equally important agencies of the Department of Agriculture.

Another is the far-flung Agricultural Marketing Service, which helps the farmer and the consumer, both, in the marketing, grading, inspection, handling and transportation of food and fiber from field -- to processor, to store, to home.

AMS also operates food distribution programs which provide food to more than 7 million needy Americans and make it possible for 15 million school children to eat well-balanced lunches. About 600,000 children in 1,639 Louisiana schools benefitted from the school lunch program last year.

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Under the direct distribution program and the food stamp plan, food is going now to over 200,000 recipients in Louisiana.

In the fall of 1961, I went with Vice President Lyndon Johnson to the coast of Texas where hurricane Carla had struck. You remember Carla also caused heavy damage to the coast of Louisiana. We found in Texas hundreds of people who had taken refuge in school houses and were living on the food the USDA had sent there for school lunches.

That was entirely proper. The agreements between the States and the USDA expressly provide that this food shall be available for emergency use in case of disaster. And before the flood waters had gone down, we had more food on the way into the area to meet emergency needs. The Department made food available free of charge for all people displaced by the flood and who were not able to pay. The same thing was true in parts of Louisiana.

Then there is the Rural Electrification Administration, whose benefits of light and power are known to farmers all across Louisiana, and the Federal Extension Service, with its direct aids to thousands of Louisiana farm families in close cooperation with Louisiana State University at Baton Rouge.

But, honestly, I'm just scratching the surface about what goes on in the Department of Agriculture -- in Washington, here in Louisiana, all across the nation, and, indeed, around the world. I have not yet even touched upon the four agencies whose Louisiana State offices are housed here today in this new building.

The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry, no matter how small, should be carefully documented to ensure the integrity of the financial data. This includes recording dates, amounts, and the nature of the transactions.

The second part of the document provides a detailed breakdown of the company's revenue streams. It identifies the primary sources of income and analyzes their contribution to the overall financial performance. This section also includes a comparison of current revenue trends with historical data to identify patterns and growth opportunities.

The third part of the document focuses on the company's expenses and costs. It details the various categories of expenditures, from operational costs to capital investments. The analysis highlights areas where costs can be optimized and suggests strategies for reducing unnecessary expenses while maintaining the quality of operations.

The fourth part of the document presents a comprehensive overview of the company's financial position. It includes a summary of the balance sheet, income statement, and cash flow statement. This section also provides key financial ratios and metrics that are used to evaluate the company's financial health and solvency.

The fifth and final part of the document offers conclusions and recommendations based on the financial analysis. It identifies the strengths and weaknesses of the company's financial performance and provides actionable insights for future planning. The recommendations focus on improving financial efficiency, managing risks, and pursuing growth opportunities.



So, let's take a brief look at some of their activities.

One of the largest and best known of all the USDA agencies is the Agricultural Stabilization and Conservation Service, which administers the federally authorized farm programs to protect and stabilize farm income.

The ASCS State office in this building is the focal point in Louisiana of the ASC committee system, which functions at the State level here and at the parish and community levels throughout the State.

One of the programs administered by ASCS, with heavy responsibility on the farmers themselves, is the ACP -- the Agricultural Conservation Program, to care for our soil, water and woodland resources.

Through this voluntary program, farmers who have conservation problems on their farmland, may receive financial and technical assistance in the installation of needed soil, water, woodland and wildlife conserving practices.

Production and acreage allotment programs also are administered by ASCS and the farmer committeemen. Keeping production in line with demand helps farmers improve their income.

Louisiana's major crops -- cotton, rice and sugarcane -- are vitally affected by these programs administered from Washington, from this building in Alexandria, and at the parish and community levels.

Although the acreage planted is substantially lower than a few years ago, cotton continues to be a major crop in Louisiana. In 1962, Louisiana farmers produced 547,000 bales of cotton with a total

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value -- both lint and seed -- of nearly \$100 million. The continuation of this production is made possible through the cotton allotment and price support program administered through ASCS. If U. S. farmers had to sell their cotton in the free market at world prices prevailing today, it would be virtually impossible to grow cotton at a profit in Louisiana.

The 1962 rice crop in Louisiana is valued at \$76½ million -- far above the 1960 crop which was valued at only \$59 million. As in the case of cotton, the profitable production of this rice is vitally dependent upon an acreage allotment and price support program.

For far more than a century, sugarcane has played an important role in Louisiana's history. The cane belt, which lies well to the south of Alexandria, is, I believe, the northernmost point at which sugarcane is grown for the extraction of sugar anywhere in the world. Last year, there were more than 300,000 acres of sugarcane cultivated on 2,400 farms in Louisiana.

There are no production restrictions on the 1964 crop, and it is our understanding that a considerable new acreage is being drained and otherwise prepared to be planted to sugarcane for the first time when the planting season comes around in August or September.

It seems unfair that Louisiana cane producers did not benefit more from the recent unwarranted price rise in sugar. However, an essential objective of the Sugar Act is to provide stable prices at a level which is fair to both producers and consumers, and we expect that prices will have



returned to about their normal level of between 6 and 7 cents a pound in the United States by the time your cane crop is harvested this fall. Current prices are still somewhat higher than is warranted by the outlook for plentiful supplies in the United States later this year; and we expect them to continue their recent downward trend, with temporary ups and downs, of course, in spot prices.

We expect to take such action as may be required this fall to prevent U. S. sugar prices from going below their normal level in order to protect the income of producers. The normal price level is adequate to make the growing of sugarcane profitable; and, with 1964 planting to be free from control, there is every reason to believe the sugarcane industry in this State will continue to supply its share of our national sugar needs and add to Louisiana's farm income and general welfare.

Another agency now housed in this building -- the Farmers Home Administration -- has greatly increased its assistance to Louisiana farmers since 1960. The financial requirements for farming have been increasing at an extremely rapid rate with greater mechanization, increased fertilization, larger units, and the like. This requires in turn greater use of credit, which FHA provides for farmers who cannot obtain it elsewhere.

In fiscal 1963, FHA made a total of 4,410 loans to Louisiana farmers, totaling more than \$20 million. These include farm operating loans and emergency loans.

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FHA emergency loans went to stricken areas of Texas and Louisiana after hurricane Carla hit in 1961, and various types of USDA aid went to Cameron Parish after a tornado hit there in 1962.

In October of 1961, when Louisiana was hit by a severe early frost, FHA came to the assistance of cotton farmers who had seen much of their crop destroyed. Twenty-two parishes were declared eligible for emergency loans and a total of 1,060 loans were made for \$3,197,020.

FHA stands ready, as always, to be of financial assistance when needed in emergencies like these in Louisiana or any other place.

Another occupant of this fine building is the State-Federal Statistical Reporting Service, an agency that has been a part of the Department of Agriculture since its founding a century ago.

Over the years, the Statistical Reporting Service has developed into a nationwide service that distributes periodic and timely reports on a vast array of crops and livestock items. In the complex and highly competitive world in which we live, the farmer cannot operate effectively without being fully informed about crop prospects, marketing conditions and consumption trends. The Federal and State Governments, cooperating together, provide the farmer with an economic intelligence service he could not provide himself.

The office here in Alexandria puts out some 253 reports each year concerning the acreage, yield, and production of crops, numbers of livestock, prices of farm products, and a wide range of items relating to the agricultural economy.



This information, based on reports provided by competent and public-spirited farmers throughout Louisiana, gives producers the facts they must have to plan production intelligently and market their crops efficiently and with profit.

Someone once remarked that statistics are often used in the manner that a drunk uses a lamp post; that is, "for support rather than for light". Perhaps this is sometimes true, but the cotton, rice and sugarcane growers, dairymen, livestock producers and general farmers of Louisiana long ago learned that honest and reliable statistical information can be turned into cash.

The fourth agency housed in this new headquarters building is the Soil Conservation Service.

This year is a milestone in the soil and water conservation movement in Louisiana. It is the 25th anniversary of the establishment of the first soil conservation district in the State. Today, the State is 97 percent covered by districts. And Louisiana has a leader in soil and water conservation whose influence is felt throughout the nation. Marion S. Monk, Jr., of Batchelor, is President of the National Association of Soil and Water Conservation Districts.

Next month, the Louisiana Bankers Association and the Louisiana Association of Soil Conservation Districts will sponsor their ninth conservation tour to see farming in other States and at the same time to sell Louisiana to other parts of the country.

The people of Louisiana, like the people of other States, have found that soil and water conservation not only has healed eroded land and helped prevent floods, but has been a boon to business and townspeople.



The Upper West Fork of Cypress Bayou small watershed project in Bossier Parish is a good example. The rural people joined forces with the people of Plain Dealing to attack their flood problems. They built three reservoirs for flood protection for the town and fertile valley lands. One was enlarged for fish production and recreation. Another was enlarged to store water for the town and future industry and for recreation. The town has purchased 60 acres of land around the two reservoirs for access and public recreation. The lakes are attracting people for swimming, boating, picnicking, and fishing. The town's mayor said it was the best thing that has ever happened in the community.

The Soil Conservation Service, using the basic concept of crop rotations, has helped raising crawfish in flooded rice fields to become an important seafood industry in Louisiana.

The 1962 Economic Development Program Report for St. Martin Parish stated:

"The volume of crawfish caught commercially in the parish during 1962 amounted to 2,218,000 pounds, having a value of approximately \$463,000. There are 15 wholesale establishments handling crawfish in the parish. The number of people employed in the industry, including fishing, processing, and distribution, is about 200. There are about 10 crawfish farms that are cultivating and harvesting crawfish. It is estimated that about 500 people fished and caught approximately 700,000





pounds for their own use and recreation. The total value of the crawfish crop in the parish, including labor income, middleman's profit and value of volume used at home is \$753,600."

So you can see that raising crawfish has some real possibilities.

The benefits of soil and water conservation extend to people in all walks of life -- in cities as well as on farms.

City planners, highway departments, utility engineers, builders and others find they are saving tremendous amounts of money by using soil surveys made by SCS. A comparison of two airports built in the same area is a good example. One airport's runways required only 16 inches of concrete. The other airport has patches of soil which pack so poorly that 36 inches of concrete were required.

I could go on and on with similar examples of the work of the Soil Conservation Service and its benefits to the people of Louisiana and America.

But this could apply to all 16 of the Department of Agriculture's agencies. And I have spoken long enough. Let it be sufficient to say that we in the Department are proud of our agencies, proud of our talented, hard-working people and the job they do. The Department of Agriculture has a magnificent record of accomplishment over the past 100 years. Today, it is rendering greater service to more people than ever before.

The first part of the paper is devoted to the study of the properties of the function  $f(x)$ .

It is shown that the function  $f(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The second part of the paper is devoted to the study of the properties of the function  $g(x)$ .

It is shown that the function  $g(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The third part of the paper is devoted to the study of the properties of the function  $h(x)$ .

It is shown that the function  $h(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The fourth part of the paper is devoted to the study of the properties of the function  $k(x)$ .

It is shown that the function  $k(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The fifth part of the paper is devoted to the study of the properties of the function  $l(x)$ .

It is shown that the function  $l(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The sixth part of the paper is devoted to the study of the properties of the function  $m(x)$ .

It is shown that the function  $m(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The seventh part of the paper is devoted to the study of the properties of the function  $n(x)$ .

It is shown that the function  $n(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The eighth part of the paper is devoted to the study of the properties of the function  $o(x)$ .

It is shown that the function  $o(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The ninth part of the paper is devoted to the study of the properties of the function  $p(x)$ .

It is shown that the function  $p(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The tenth part of the paper is devoted to the study of the properties of the function  $q(x)$ .

It is shown that the function  $q(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The eleventh part of the paper is devoted to the study of the properties of the function  $r(x)$ .

It is shown that the function  $r(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The twelfth part of the paper is devoted to the study of the properties of the function  $s(x)$ .

It is shown that the function  $s(x)$  is continuous and differentiable on the interval  $(0, \infty)$ .

The carping critics who make American agriculture and the farmer the butt of so much scornful criticism see only the troubles of the moment -- the surface manifestations of difficulties. They lose sight of the main stream of agricultural policy and accomplishment which has succeeded through the years, and is succeeding so magnificently today, in its central purpose of providing plentiful supplies of food and fiber at reasonable prices.

With all our ups and downs, the agricultural policies of the United States represent one of the greatest success stories for governmental policies in all human history. These policies are rolling on today like the mighty river which passes not so far from this city. They will go on. When those of us who now temporarily have the privilege of defending them, and those who now seek to undermine and destroy them, will have long since passed from the scene, our basic agricultural policies will continue. This nation, having found the key that unlocks the abundance of nature to serve human needs, is not going to throw the key away.

As we defend the gains we have made, and move on toward an even stronger agriculture, I am confident that the people who serve in this building will meet their full share of the responsibility with a high purpose and a buoyant spirit.



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U. S. DEPARTMENT OF AGRICULTURE  
OFFICE OF THE UNDER SECRETARY

July 16, 1963

(Excerpts from a talk by Under Secretary of Agriculture Charles S. Murphy at a conference of Virginia Agricultural Stabilization and Conservation (ASC) County Committeemen and County Office Managers in Roanoke, July 16, 1963).

It goes without saying that we are greatly concerned about the future income of wheat producers and are doing everything within our power to undergird it.

The 1964 feed grain program takes on even greater significance because of its influence on wheat production and income. We are giving it our most careful and serious attention so as to make it as effective as possible in keeping all grain production, including wheat, within manageable levels next year.

Greatly expanded production in 1964 would seriously depress wheat prices. A huge over-supply of wheat could put a damper on overall farm income. Every practical method to prevent this from happening is being explored.

The voluntary feed grain program will do much to stabilize production of grains in 1964 and moderate the wheat price decline. During its three years of operation, this popular program has successfully pulled feed grain production below utilization and reversed a 10-year buildup trend in feed surpluses.

Most wheat producers also produce feed grains....barley in the Northwest and Northern Great Plains...grain sorghum in the Southwest....and corn in the Midwest and East. Thus, many of them are eligible to participate in next year's voluntary feed program.

The Department is aiming at provisions that will provide as strong an incentive as possible to encourage the combination wheat-feed grain producers, particularly in the major wheat-producing areas, to participate. One measure being considered is a step-up in payment rates for diverting acreage from feed grain production to a conserving use. Particular emphasis might well be put on maximum acreage taken out of production per farm through liberalization of payment rates for higher acreage diversions.

The program during the past three years has brought about remarkably stable feed grain prices. During the past weeks, prices have moved upward to the highest levels in several years as the accumulated surpluses are being worked off as a result of the better relationship between feed grain production and needs. Participation next year at the high levels of the previous three years of the program, or even higher levels, will continue to exert a beneficial influence on feed grain prices and soften the decline in wheat prices.

While we haven't made up our minds on all of the features to offer in the 1964 feed grain program, we are working toward an announcement of at least the main provisions at an early date. Plowing for the 1964 fall wheat crop has already started in some sections of the country and producers want to know what to plan on. One thing we definitely will try to do: We will try to give farmers a feed grain program for 1964 with just as few changes as possible from 1963. I suspect you committeemen will applaud this aim, too. We all appreciate that fewer year-to-year changes mean less confusion and greater satisfaction with the program on the part of farmers.

Without a feed grain program, unchecked production would push prices to disastrously low levels for wheat as well as feed grains. Some estimates place this as low as 75-80 cents per bushel for corn and 85-90 cents per bushel for wheat.

With a feed grain program as there will be for 1964, corn, grain sorghum, barley and other feed prices should be near price-support loan levels. Wheat, if production does not go wild, should be in a reasonable relationship.

Income of participating wheat-feed grain producers will also be bolstered through the payments made for taking feed grain acreage out of production in 1964.

One of the successful features of the feed grain program continues to be the maintenance of normal acreage devoted to conserving uses on participating farms. This has prevented the drift of land already in a conserving use to other crops.



The feed grain program through this provision offers wheat producers a guide to keep their wheat acreage within reasonable bounds.

As to wheat itself, some people have recently evidenced what seems to be unwarranted surprise concerning two legislative provisions relating to wheat acreage allotments that have been in effect for several years.

In 1957 and 1958, laws were enacted relating to the computation of future wheat acreage allotments.

These laws altered the previous practice under which a farm on which acreage exceeded the allotment received credit for the entire harvested acreage for the year in determining future allotments.

Under the legislative provisions enacted some five or six years ago, the farm's wheat history is the allotment if the acreage allotment is exceeded.

In contrast, farmers who plant within their allotments get credit not only for acreage harvested but also for acreage diverted under the allotment program.

This takes on added importance in view of the extent of diversion credit which nationally is almost equal to wheat acreage. The 1964 wheat allotments were determined from a base of about 77 million acres, which includes both wheat and diversion history.

Thus over a period of years (except in the case of small farms) the producer who exceeds his allotment will accumulate a smaller acreage history than the farmer who plants within his allotment. The result will be a smaller allotment in future years. The 1964 acreage will affect 1966 allotments if they are in effect.

The other longstanding legal provision applies to wheat production on farms with acreage in the Conservation Reserve of the Soil Bank. This Act put into law in 1956 provides that "no person shall be eligible for payments or compensation under this title with respect to any farm in which...the wheat acreage on the farm exceeds the larger of the farm wheat acreage allotment...or fifteen acres..."

Even through wheat marketing quotas were disapproved by wheat producers and will not be in effect in 1964, legal provisions require that acreage allotments based on a national allotment of 49.5 million acres shall be in effect for wheat. Acreage allotments are a condition of eligibility for wheat price support which as required by present law shall be at 50 percent of parity or about \$1.25 per bushel when producers disapprove marketing quotas.

Land use adjustment continues to be one of the most necessary parts of the farm program.

We have more cropland than we need to meet demand for farm products. This is true for the immediate future and it also seems to be true on up to 1980, which is about as far ahead as economists are willing to venture in making estimates.

This Administration wants to find uses for the extra cropland that will return some income. We are committed to the goal of expanding the national economy rather than shrinking it, and we therefore do not want to put into "cold storage" any productive resources that can be used.

That is why the pilot program for cropland conversion aims at finding good ways to use rather than to idle the cropland which is not now needed for crops.

As you know, a major immediate problem confronting us is the possibility that cropland which has been under Conservation Reserve contracts will come back into crop production. The minimum objective of the Cropland Conversion Program is to provide income-producing uses for as much land as would go into crop production when it comes out from Conservation Reserve contracts. The Administration has recommended legislation for this purpose, and we are hopeful that it will soon be enacted.

Nearly 25 million acres are under Conservation Reserve contracts. At the end of this calendar year, contracts are due to expire on about 7 million acres, including about 700,000 acres on which contracts were renewed for one year under the

land use adjustment program authorized by Congress last year.

All the rest of the 25 million acres will be released by the end of 1970.

On the basis of experience and study, the Administration is satisfied that the Cropland Conversion Program is a better approach to the cropland problem than was the so-called Soil Bank approach. We are also satisfied that it is badly needed as a companion program with the feed grain program and the acreage allotment and marketing quota programs which permit diversion of cropland to conserving uses.

The Cropland Conversion Program has the advantage of costing much less per acre than the Conservation Reserve--perhaps less than half as much. And by keeping this land producing income instead of merely absorbing tax funds, it helps the economy. Besides offering these advantages, it promotes sound conservation of resources.

Fortunately, there are some good uses for land we do not need in crops.

Here in Virginia you have witnessed a good deal of interest among farmers in using the Cropland Conversion Program to help develop income-producing recreation projects. Demand for outdoor recreation for our growing population is an economic factor working on the side of the land owner.

Furthermore, grass and trees offer the possibility of income from cropland. People like to eat beef when they can afford it, and the growing population should make an increased market for it. A recent estimate indicates that the growing demand for beef will require an increase in grazing land of at least 14 million acres a year between now and 1970.

No possibility for economic use of cropland will be overlooked if we can help it.

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U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY

Reserve

NATIONAL ARCHIVES LIBRARY

U.S. Department of Agriculture  
Office of the Under Secretary

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July 18, 1963  
I am very happy to be with you today as you celebrate the Philadelphia Council's 50th anniversary of Scouting.

It is a great privilege for me to have the opportunity of presenting to the Philadelphia Council the Gold Seal Conservation Award of the Department of Agriculture for the most outstanding conservation achievement of all Councils of Boy Scouts in the United States in 1962.

Scouting teaches that America's natural resources are a precious heritage. It is most fitting, therefore, that years ago someone with great wisdom set aside Treasure Island to be used perpetually by Boy Scouts. That decision and the guidance that has directed the wise use of its natural resources for 50 years have made it possible for us to enjoy Treasure Island today. I understand that it is now the oldest Scout camp in continuous use in the United States.

The Philadelphia Council's conservation objectives and long-range land-use plans for Treasure Island, the Hart Scout Reservation Area, and other camp property will make it possible for Scouts to continue to enjoy and use these natural resources. It is for this reason that the Philadelphia Council was selected as the first recipient of the Department's Gold Seal Conservation Award to Boy Scout Councils.

This award reads as follows:

For OUTSTANDING CONSERVATION ACHIEVEMENTS The UNITED STATES DEPARTMENT OF AGRICULTURE Honors PHILADELPHIA COUNCIL Boy Scouts of America.

Remarks by Under Secretary of Agriculture Charles S. Murphy, in presenting the Department's GOLD SEAL CONSERVATION AWARD to the Philadelphia Council, Boy Scouts of America, Philadelphia, Pa., at its observance of 50 years of Scouting on Camp Treasure Island in the Delaware River, July 18, 5:00 P.M. (EDT).



Through their exceptional contributions to the conservation of natural resources, the Boy Scouts and their leaders in this Council are helping to protect, improve, and use wisely our heritage of soil, water, forests, grasslands, and wildlife, to the end that America may continue to be a land of abundance and a pleasant place in which to live.

/s/ Orville L. Freeman  
Secretary of Agriculture

To underline the significance of this achievement, I would like to talk to you a little about how important conservation has become and how well we are doing with it. You will remember that when white men first came to this country there seemed to be a limitless amount of rich land and virgin forests and pure water. As the country was settled, the forests were cleared away -- and trees were burned to get them out of the way. The land was plowed up and cultivated. For a while, it produced abundantly, but all too often the rich topsoil soon began to wash away.

Eventually, many worn out farms were abandoned, and the farmers moved on to settle new land. This process continued as the country became more and more thickly settled, until all of a sudden -- some 50 years ago -- this country began to wake up to the fact that it faced a very serious danger -- the danger of not being able to produce enough food to eat. That could be very serious. This precious layer of topsoil that covers our land is what keeps us alive, and far, far too much of that was washing away with every rain that fell. Moreover, the supplies of timber that had once seemed so endless were beginning to run short. Here we were -- getting more and more people in the country every day and losing more and more of the natural resources needed to keep them alive.

Fortunately, there were people who had sense enough to see that this would never do, and something had to be done about it. Something was done -- a widespread and sustained conservation movement was begun. The Federal, State and

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local governments began to work with private landowners to conserve the soil and the water and the timber. These governments also began to set aside publicly-owned lands to be conserved for the benefit of all the people.

This conservation movement has been growing and growing. Today, we can say confidently and thankfully that the tide has been turned. There is much that remains to be done, and always will be; but now we know that we have the will and the know-how to do it. When you fly over the face of America today, you don't see as much erosion as you would have some years ago. America is well on the way to becoming green again.

This marvelous and important job of conservation is an interest the USDA shares very keenly with the Boy Scouts of America. While we are expressing our gratitude to you for your achievements, I would like to take the opportunity to tell you some of the highlights of the Department's activities in this field.

The Department of Agriculture is not just an agency down in Washington. It has offices in every county in the United States and in every major city, as well as in some 85 foreign countries. It performs many useful services for city people as well as for rural people, for consumers as well as for farmers, for the people who eat food as well as for the people who produce it.

We have 16 separate agencies in this big Department, and one of the most important of these agencies is the Soil Conservation Service.

The work of this agency is one of the big reasons today why America is becoming green again, with forest land and grass land now covering hills and gulley that once were rocky and dusty and barren.

(more)

USDA 2399-63

You should know something of the work of the Soil Conservation Service, because, in addition to working with the farmers of America, this agency also has worked closely with your own organization -- the Boy Scouts of America -- for many years.

In cooperation with the Soil Conservation Service, farmers throughout the Nation have organized what are known as soil conservation districts. Our part of this program is to provide these farmers with technical help.

We also share in the cost of soil conservation practices, including small watershed projects where dams are built to create ponds and lakes that hold back the water in times of flood and prevent soil erosion.

In the Soil Conservation program -- really a farmer-government partnership -- we recognize the farmer's responsibility for protecting and improving his own land. But we also recognize the public's responsibility for bearing its share of the cost.

Farmers are helped to grow grasses and trees on their land and to improve what we call vegetative cover -- that is plant life -- timber and crops. They build small dams for water storage.

Floods, erosion and water shortages go hand in hand. They do not stop at property boundaries or county lines. They affect everybody in a watershed -- all the people who live and work in a given drainage area.

That is why whole watershed projects were developed -- community-sized projects, ranging from a few square miles to about 400 square miles.

(more)

USDA 2399-63

These watershed programs not only prevent floods and thereby conserve the soil from erosion, they also develop water supplies for agricultural, municipal, industrial, wildlife and recreational uses.

These watershed projects are developing rapidly in the small, upstream watersheds of rural America, where more than half our flood damage occurs, and where the little waters become the big waters that also make the headlines in the city newspapers when there's a flood on the Ohio or the Missouri, or the Delaware, or the Mississippi, or any of our great river basins.

Boy Scout officials in many areas have worked closely with the Soil Conservation Service in developing land use and conservation plans for many of their permanent camps. These areas have been developed for camping, fishing, swimming, canoeing, wildlife, nature and plant study.

This soil and water conservation program has added thousands of acres of water surface throughout the countryside and is doing much to make America green again.

A good example of a small watershed development and its benefits may be seen at Culpeper, Virginia, where for years the people either had floods or droughts, and had no adequate year-round water supply.

Water troubles not only were causing damage in times of flood, but in times of drought the lack of water was pinching off Culpeper's chances for community and industrial growth.

The people got busy, the Soil Conservation Service cooperated, and today there is a different -- and brighter -- picture in Culpeper.

On the small watershed project there, three dams were built over a mountain stream to conserve the water. Floods have been brought under control in times of wet weather, and there is an adequate and stable supply of water assured for the town's use.

One of the three dams has impounded a sizeable lake that makes water available for storage and at the same time affords a new recreation spot -- Culpeper's first public park. The adequate water supply has made it possible for three new industries to locate in Culpeper, creating 400 more new jobs in that community. The water supply also has made possible the construction of a new hospital there.

Another Soil Conservation Service program is out west in what we call the Great Plains Conservation Program, helping to conserve soil and scarce water supplies in that area.

Another Department of Agriculture program is what we call the ACP -- or the Agricultural Conservation Program.

Under this ACP program, extensive acreages of cropland have been shifted to other uses. More than three million acres of land have been shifted to forestry plantings and 95 million acres to vegetative cover under ACP. All of these represent long-term conversions of farmland away from the production of surplus commodities to conservation practices.

More than a million farm ponds have been constructed with aid from this program, and during the last five years alone about 30 million acres of farmland have received ACP assistance for long-term grass, legume and tree cover.

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USDA 2399-63

This program is administered by another big agency of the Department of Agriculture. It is the Agricultural Stabilization and Conservation Service.

So, you see, the theme of conservation runs throughout many of the Department's activities.

Another big one is the Forest Service. In fact, the Forest Service is the largest of all the 16 USDA agencies. And, since Boy Scouts love to get out in the woods and forests, it is an agency in which I am sure you will be interested.

You know, every man, woman and child in the United States owns one acre of national forest land. That is one way of saying that every citizen owns a share in the 186 million acres of the national forest system administered by the Forest Service. These lands cover 291,000 square miles and are located in 41 states and Puerto Rico.

If the National Forests were all put together, they would cover all of New England, plus New York, Pennsylvania, New Jersey, Maryland, Delaware, Virginia, North Carolina and half of South Carolina. That's a lot of land.

Our wildlife as well as our timber is being preserved in these National Forests, and they provide a wonderful source of recreation for millions of Americans, and especially for many thousands of Boy Scouts.

Twenty-four million people hunted and fished in the National Forests in 1962. They contain 81,000 miles of fishing streams and two million acres of lakes. Just about every type of big game animal in America can be found there: deer, elk, moose, antelope, bear, mountain goat, bighorn sheep, and European wild boar.



You know, there is a lot of agitation to preserve America's remaining wilderness these days, but the Forest Service has been preserving wilderness for more than 30 years. As a result of Forest Service policies going back as far as 1924, areas that were chiefly valuable as wilderness were set aside for that purpose.

This is one reason why there actually is more wild game in America today than there was when the white man first set foot on these shores.

Of the 24 million sportsmen who visited the National Forests in 1962, about eight and a half million were hunters who bagged about 700,000 big game animals and many more small game, waterfowl and upland game birds.

Last year the American people made a total of 113 million recreation visits to the National Forest, and I am sure that a big percentage of these visits were made by Boy Scouts like yourselves.

In addition to our soil conservation program, ACP and the Forest Service, we are now on the threshold of conserving additional land, much of it near big cities like Philadelphia, for future recreational use through cropland conversion.

This is a program we are starting to shift farmland from the production of crops to recreational purposes.

One of the hopeful aspects of this is that we can make more land available for this purpose near big cities, where crowded city-dwellers need to get out in the woods and on the lakes and streams that are serene and peaceful areas, yet not too far away.

The reason we are going to be able to do this is that the American farmers have become so efficient that they can produce more than enough crops for



all of us. And at their present rate of progress and efficiency they are going to be able to do this on 50 million fewer acres of land than is now available for crop production.

This means it is going to be possible to use 50 million acres of converted cropland for other purposes, one of which will be recreation.

The Department of Agriculture is working hard to move this land into recreational uses. And if all of us have just got sense enough and will work together hard enough on this, we can do it.

It may even be possible eventually here in the crowded East to shift most of our rural land into recreational use. It seems to me that it would make sense for us to adapt the rural land around our towns and big cities of the east for recreational use by our growing population.

Although our vast National Forests contain so much of our wilderness, our present outdoor recreational facilities and wildlife, the individual farmer and land-owner is still the major custodian of our American wildlife heritage. How he manages the land and waters under his control determines in large part whether wildlife shall be plentiful or scarce -- and whether we shall have in future years the green forests and recreational areas near our cities that we will want and need.

We think that these individual farmers and land-owners and the Department of Agriculture can work together to accomplish this goal. And to that end we pledge our best efforts.

We know, too, that resource conservation has become one of the major activities of the Boy Scouts of America. So, we feel that we are in partnership with you, too, in this great conservation effort.

Scouts have always been interested in the outdoors, of course, for a basic part of Scouting is camping and learning to live with nature. But in the last decade or so Boy Scouts have mounted organized efforts in conservation and have carried out planned activities.

Some of your Merit Badges in Conservation aren't very old. Among them are Soil and Water Conservation, Wildlife, and Forestry. All of these are major activities of the Department of Agriculture. In fact, resource conservation accounts for just about half of our activities.

We are proud and happy to have you as our allies and our partners in this great endeavor, which we feel will mean so much to Americans of future, as well as present, generations. We welcome your interest and your support, and we salute you for this good turn toward your fellow man.

And especially do we salute today you Scouts of the Philadelphia Council for your exceptional contributions to the conservation of natural resources. We hail your efforts in helping protect, improve and use wisely our heritage of soil, water, forests, grasslands and wildlife to the end that America may continue to be a land of abundance and a pleasant place in which to live.

And as I present you with this -- the United States Department of Agriculture's GOLD SEAL CONSERVATION AWARD, on behalf of Secretary Freeman, may I congratulate you, your staff members, the Scoutmasters and counselors, the members of your conservation committee, and the Boy Scouts of the Philadelphia Council. And may I thank you, on behalf of Secretary Freeman, the Department, and, I think, the people of America, for what you are doing in their behalf.

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U. S. DEPT. OF AGRICULTURE  
OFFICE OF THE SECRETARY

35 U. S. Department of Agriculture  
Office of the Secretary  
11/12/1963

I appreciate the opportunity to be with you today at the annual meeting of the Plains Cotton Growers, Inc. I have wanted to visit this part of Texas for a long time because I have heard so much about it. Also, it is good to get away from Washington to refresh my understanding of how things look in the parts of the country where farming actually takes place. Although we look at our problems and opportunities from different places, our objectives in Washington are much the same as yours. Your organization devotes its principal efforts to research, promotion, service to farmers, and -- because it is good business -- service to consumers. The major activities of the Department of Agriculture fall under these same headings.

The self-help program you are undertaking is in the best tradition of American agriculture. In the early days of our country, small groups of farmers got together for barn raisings and similar mutual undertakings. You have reached the point today where thousands of cotton farmers in the High Plains area of Texas, along with the agri-business groups in the area, combine efforts and work together to improve your product, cut the cost of its production, and increase its acceptability to cotton consumers.

Your stake in this effort is large. In the 23 counties covered by your organization, you produce more cotton than any State other than Texas. Your production in recent years has been about equal to the combined crops of

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Address by Under Secretary of Agriculture Charles S. Murphy scheduled for delivery at the annual meeting of Plains Cotton Growers, Inc., in the Municipal Auditorium, Lubbock, Texas, noon Thursday, Sept. 12, 1963.

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North and South Carolina, Georgia, and Alabama. To enable you to achieve these results, you have several important things in your favor. Good soil and available irrigation water are the first two that come to mind. But you have another blessing that some of you may not fully appreciate.

When I was a boy in eastern North Carolina we heard -- "The boll weevil is coming." It did come and as a result fields that had been planted to cotton for as long as I could remember were planted instead to corn, tobacco, vegetables, or just left idle. You are quite fortunate that this little insect does not live through the winter in your territory and that any summer visits he makes are usually rather late in the season.

In a discussion of farm programs and of what we are doing in Washington, it is a good idea to put our farm policy in its proper perspective by going back to fundamentals.

The U. S. Department of Agriculture, strange as it may seem, originated in the Patent Office. It was moved out and given independent status 101 years ago. In the beginning, its main function was to spread information among farmers -- primarily about better ways to farm and increase production. That is still one of the main functions of the Department of Agriculture.

About the time the Department was established, payments to State agricultural colleges were authorized from the proceeds of the

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USDA 3042-63

sale of Federal lands. Soon we had research results coming in from both the Land-Grant Colleges and the Department of Agriculture. A remarkable and effective system was worked out. Better methods and improved practices were discovered through research and then widely disseminated among farmers by the Extension Service. Many of the improved methods of farming originated with private business. Individuals with talent and initiative invented and patented such devices as the reaper, the combine, and the cotton picker.

Perhaps the most remarkable thing about this whole process -- and the most distinctive characteristic of American agriculture -- has been the rapid and widespread way new knowledge has been applied to the actual operation of American farms. The Extension Service made a unique and indispensable contribution in this regard. But the nature of the American farmer himself has had much to do with it.

The American farmer is a paradox. In many ways, he is among the most conservative of men, but in other ways -- in his own business -- he is a radical or revolutionary. New methods? He can't wait to put them into effect. Risky business? The farmer gambles -- frequently most everything he has -- year after year. And, incidentally, the stakes for the average farmer seem to get higher year by year.

(more)

USDA 3042-63



The enterprise of American farmers and the scientific help they received from Government paid off in a big way in the early days of this century. If I remember correctly -- and I was rather young in those days -- American farmers achieved miracles of production in World War I; and food helped win that war -- food produced by American farmers. However, we geared up to produce for an outlet that would not continue to exist on the same scale.

While the rest of the world wanted all our farmers could grow during the war and in the first few months that followed, the picture soon changed. We began to have difficulties with surpluses. During the 1920's there was chronic overproduction. Prices of agricultural commodities fluctuated widely. It was boom or bust for the farmer. All too often it was bust. Congress began to look upon this as a national problem -- began to believe, quite correctly, that there could be no solutions except national solutions.

Much of the legislation proposed but never enacted during the '20's was based on principles that were incorporated into law later. In the '30's, the basic pattern for dealing with agricultural surpluses was set by national legislation. The original Triple A Act of 1933, one of the foundation stones of the New Deal, was held to be unconstitutional by the Supreme Court on January 6, 1936. It was followed by the Soil Conservation and Domestic Allotment Act of 1936 and by the Agricultural Adjustment Act of 1938. This subsequent legislation was upheld by the courts and the basic



pattern was set. This basic policy has had many names -- agricultural adjustment, ever normal granary, supply-management, etc. By whatever name it is called, the principle is that production should be such as will fill the need and provide an adequate reserve but not produce unneeded surpluses.

There has been a lot of marching up and down the hill since the 1930's -- a lot of talk about controls, about fines and penalties, even about dictatorship -- but the basic pattern for dealing with excess production was set then and has been in the law ever since.

The legislation of the 1930's has been very helpful. It was well thought out, and it was flexible. It might have been adequate to deal with problems over the years except for the accelerated rate of increase in productivity in American agriculture. Many people talk about automation and how it throws people out of jobs, but few people realize that it is in the field of agriculture where automation is having its greatest effect.

I don't mean to imply that push button farming is either here or just around the corner. However, when we compare the number of man hours required to grow an acre of grain sorghum or produce a bale of cotton with the number of hours required 20 or 30 years ago we find a rate of increase in efficiency in agriculture that far exceeds that of industry.

This is both good and bad. One farm worker produces more food for more people. In 1940 he produced enough to feed and clothe 10, by 1961 this figure was up to 26, for 1963 we estimate it at 29, and the end is not in sight. Also, on the good side is the fact that our people eat

better than ever before, and the cost in terms of percentage of income spent for food is at the record low figure of 19 percent.

Now only 8 percent of our people live on farms -- and many of them are underemployed and underpaid. We must not make the mistake, however of concluding that only 8 percent of our people are dependent on agriculture for a living. The businesses that process and distribute the products of the farm -- as well as those that supply the farmer with his tools of production -- employ many millions of workers, and even without counting these people agriculture is and will remain our largest business.

This technological revolution on our farms has required and will continue to require rapid adjustments by the agricultural segment of our economy. As the adjustments occur, we have to revise our farm programs to keep pace with new conditions and new problems. You may think we change programs too often in Washington -- but when a fellow is riding a tiger, you ought not to fuss with him when he has to change his grip.

We have probably had more legislation for cotton than for any other commodity. The reasons for this are not hard to see. It is a commodity for which methods of production have changed rapidly, it is a commodity for which much production has moved from the Southeast to the irrigated areas of the West, it is a commodity which depends in a large part on foreign markets, and finally it is a

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USDA 3042-63

commodity which must meet competition from both foreign-grown cotton and from man-made fibers.

As you may know, there is new cotton legislation pending in both the House and Senate at this time. The proposed legislation in both Houses of the Congress is designed primarily to enable cotton to compete more effectively with synthetic fibers in the domestic market and to make our cotton textiles more competitive with foreign imports.

If we are to have legislation for cotton, all groups must be prepared to accept something less than would be ideal from their standpoint. Some provisions that would be good for Western cotton growers might be undesirable to growers in the Southeast and vice versa. Also, provisions desired by the cotton mills might be unsatisfactory to growers. Further there is still the problem of having legislation which is fair to the taxpayer. This is another way of saying that the cost of any new legislation must be carefully considered and must be reasonable.

Even with all of these seemingly diverse interests taken into account, there is good reason to believe that with a proper spirit of compromise on the part of all concerned effective legislation can be enacted. If, however, any one group pushes too hard for its own particular interests and is not willing to compromise, then prospects for new legislation at an early date will be greatly diminished or disappear.

(more)

USDA 3042-63

While we are hopeful that cotton legislation will be passed, there is little likelihood that Congressional action will be completed before the time fixed by existing law for establishing the 1964 cotton acreage allotment. This is October 15th. This means it can be expected that before October 15th a national acreage allotment for 1964 will be established under the present law.

This law provides as a general rule that the allotment shall be such as the Secretary of Agriculture estimates will result in the production of an amount of cotton equal to the total offtake -- including both domestic consumption and exports. The acreage thus determined can be adjusted upward by the Secretary if he finds it necessary for the purpose of providing an increased carryover. With a current carryover of some 11 million bales, there would appear to be no basis for making any such upward adjustment. The law also provides for downward adjustments to reduce excessive carryover -- but with the proviso that the national allotment cannot in any case be less than 16 million acres.

As you know, the national allotment for 1963 was this statutory minimum of 16 million acres. It now appears that this will produce over 14 million bales of cotton. This is in excess of our current estimates of the total offtake for this marketing year -- 13.8 million bales. In short, there would seem to be little choice under the law except to fix the acreage allotment for 1964 at the same level it has been for 1963.

(more)

USDA 3042-63

One of the major developments affecting this matter is increasing yields per acre. The 1961 allotment was 18.4 million acres, and we produced 14.2 million bales. For 1962, the allotment was reduced to 18 million acres, but we produced 500,000 more bales of cotton. That helped to account for the 3 million bale increase in carryover. Then this year -- even with the 16 million acre allotment -- we expect to produce about as much cotton as we did in 1961 when the allotment was 2.4 million acres larger. The average yield is expected to be the highest in history -- 482 pounds per acre -- 25 pounds per acre higher than last year.

These increased yields are basically good -- even though they complicate somewhat our adjustment problem. In the long run, increased efficiency and higher yields are good for consumers and for farmers. Whatever the quantity of cotton we can use, it is best to produce it at as low a cost as possible.

As you know, one of our hopes for making U. S. cotton more competitive with foreign growths and with synthetic fibers is to reduce the cost of producing cotton. The estimated increase in average yield of 25 pounds per acre from 1962 to 1963 is equivalent to reducing cost of production by more than 1 cent a pound. This is a very significant fact.

I want to mention particularly the importance of our cotton exports. Normally, we export about 40 percent of our cotton crop. This is important to our whole country in obtaining foreign exchange -- cotton

(more)

USDA 3042-63

is one of the nation's best dollar earners. It is of especial importance to cotton producers who must look to exports for so large a share of their markets. If it were not for exports, instead of talking about a 16 million acre allotment, we might well be talking about a 10 million acre allotment.

Because of the importance of the exports to cotton producers and to the whole country, the Government has taken strong measures to maintain them, including the payment of an export subsidy to keep American cotton competitive in the world market. For the past two years, this subsidy has been  $8\frac{1}{2}$  cents a pound. Notwithstanding that, our exports in the past marketing year were disappointingly low -- about 3.3 million bales. Our exports are affected by many factors -- the weather in other producing countries, general economic conditions all over the world, swings in the textile cycle, changes in inventory position among foreign mills, substitution of synthetic fibers in other countries, and the policies of many different Governments -- all these in addition to our own pricing and sales policies.

The outlook for exports in the current marketing year -- which began August 1st -- is much better. Already we have sold more than 2 million bales of CCC stocks for export. Production in a number of other producing countries will be down sharply -- and the outlook is for a net reduction below last year in foreign free world production as a whole.

(more)

USDA 3042-63



Mill stocks in other countries are relatively low. Under our export sales program, American cotton is fully competitive with foreign growths, and we intend to keep it that way. We do have a difficult problem synchronizing the payment-in-kind export payment program with the export sales program for CCC stocks. We have announced that we plan to make such changes in the payment-in-kind rate as are required to move a suitable amount of 1963 crop cotton directly into export channels without cycling it through the loan. Only experience can tell us what changes, if any, will be appropriate. We are watching the movement of 1963 crop cotton very carefully with this in mind.

Finally, let me say -- although I doubt if it needs to be said to this group -- that we operate our farm programs in the Department of Agriculture for the purpose of helping farmers. Frequently, farmers want us to do more for them than we are able to do because of limitations on funds or otherwise. This is natural and understandable. On the other hand, it is sometimes said by some people that we help farmers more than they want us to. I assure you that we do not wish to be guilty of that. Anytime you want us to let you alone, just tell us so.

Actually, I think we understand each other pretty well. I think we know something about your problems, and you know about ours. I think you know we are doing the best we can on your behalf, and I think you appreciate it.

(more)

USDA 3042-63

Nevertheless, we recognize the importance of keeping open lines of communication between the farmers and the Department. One of our best channels of communication is through the farmer committee system that was first established in 1933 by the old Triple A Act and is continued today in the Agricultural Stabilization and Conservation Service of the Department. These farmer-elected committeemen, who are in daily contact with farmers, are in an ideal position to pass on to us grass roots opinion and ideas.

Another valuable means of communications available to us is the opportunity we have from time to time to talk to the officials of organizations such as yours that deal with commodity and regional problems of agriculture. Still another valuable means of communication which we seek to utilize to full advantage is our commodity advisory committees.

It has been my privilege to work with our Cotton Advisory Committee rather closely during the past two and one-half years. This has been for me a very interesting and instructive experience -- the farmers, the ginner, the cotton merchants, the exchanges and the cotton mills are represented on this advisory committee. The producer representatives on the Cotton Advisory Committee come from all sections of the Cotton Belt, from North Carolina to California, and represent varying points of view. We meet with this advisory committee several times each year as new developments warrant additional meetings. It is fortunate for

(more)

USDA 3042-63

all who deal with cotton that there are outstanding and able men on our advisory committee who are willing to give us their time and advice in helping with the problems of the industry. Two of your own people, Wilmer Smith and George Pfeiffenberger, are very distinguished and valuable members of that Committee.

Even with the able help of our county committees, our State committees, and our special commodity committees, the problem of communication between the farmer and the Department of Agriculture remains one that requires our constant attention and our best efforts. Recognizing this, Secretary Freeman has just begun a series of 13 "Report and Review" meetings with farmers and other citizens of rural America. In announcing these meetings the Secretary stated:

"I intend to get out and talk with dirt farmers throughout the country. I want to listen to what farmers are saying and thinking, and to find out what individual attitudes are toward the way programs are being administered, toward farm legislation, and toward the Department of Agriculture.

"Here in Washington, the grass roots thinking from rural America is being drowned in a babble of voices. Farm organizations disagree as to what the farmer is saying as well as the kind of program -- or absence of program -- he wants. The Congress is sharply divided on legislation, and has been for years. Newspapers and magazines

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USDA 3042-63

claim they know what the farmer is thinking and what is good for him, but you can get almost as many different opinions as there are magazines and newspapers."

One of my reasons in bringing this to your attention is that on November 4, Secretary Freeman will hold one of these meetings here in Lubbock. I will appreciate it, and he will appreciate it, if you will mark this date -- November 4 -- on your calendar and be present and make your views known directly to him.

When I was a young man I used to hear the expression "King Cotton" quite often. One of the larger hotels in my home State was even named the "King Cotton Hotel." Cotton is still a king, but he is no longer an absolute monarch. There are many limitations on his power and many rivals for his throne. It is only through the loyalty and hard work of his subjects that his power can be maintained. It has been a pleasure to meet with you today and to participate in your efforts to "keep cotton a king."

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EDUCATION: THE BEST FARM PROGRAM OF ALL

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*Sept. 24, 1963* I congratulate those of you who conceived this Conference. I hope it will be a moving force that will lead to many more such conferences on the social and economic problems arising from the changing environment of rural America.

From where we sit in the Department of Agriculture, it looks too often as though rural America gets lost in the shuffle.

I am not talking here just about the Federal Government and what it does. I am referring to the sum of all of our efforts -- public and private, on the national, State and community scenes -- to identify the shortcomings of our society and to rectify them. Urban society is in the center of the picture, in the spotlight; rural America is in the shadows, at the edge.

Consider:

Almost every big city of America has a vigorous program of urban renewal and slum clearance, using Federal grants. It should have. But there is no comparable program of rural renewal and rural slum clearance -- yet, on the average, rural housing is worse than urban housing.

An enormous amount of attention, at this time, is being given to the problems of minority groups in America's cities. It should be. But very little attention is being given to the no less urgent problems of minority groups in the American countryside.

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Remarks by Under Secretary of Agriculture Charles S. Murphy at the National Conference on Problems of Rural Youth in a Changing Environment, Oklahoma State University, Stillwater, Oklahoma, 12:15 p.m. CST, September 24, 1963.

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Something is being done, although not nearly enough, about the problems of the aged and the aging in our cities. Much less is being done about the plight of the old people who are ill-housed, lonely, and ill-cared-for in rural regions.

The papers are full of talk about traffic strangulation, suburban sprawl and all the other problems that beset our overgrown metropolises. The President has proposed, and someday there will be, a Cabinet-level Department of Urban Affairs in the Federal Government.

But overcrowding in the metropolitan centers has an opposite side - and that is the under-crowding of the rural regions where much of the metropolitan population came from. We do not read, or hear, much about the decline and depopulation of the countryside. But, of America's 3,000-odd counties, 1,533 declined in population between 1950 and 1960, virtually all of them rural, with an enormous loss of social, economic, and human values.

For almost every urban problem, there is a corresponding rural problem. And in the Department of Agriculture we spend a good deal of our time trying to convince the Congress, and the Executive Branch, and the leaders of public opinion that they ought to pay as much attention to rural problems as they do to those of the cities.

I don't expect that we will ever succeed completely. In the first place, rural Americans are already badly outnumbered, and the disparity is growing. In the second place, almost all the leading organs of opinion -- the major newspapers and magazines that command the attention of the public and do so much to mold American thought -- are published in the big cities. They are urban-oriented, and are bound to be. But, whatever our handicaps, it is up to us to demand attention -- to insist that rural America is not forgotten as the Nation tackles its social and economic problems, whether through Governmental action or through private action.

That is why this conference is so useful. That is why we need more like it, on other and related matters.

The Department of Agriculture is deeply concerned, and we will help and participate in every way. Soon after Secretary Freeman took office, he observed that is our Department is really going to serve the people who live on farms and in small towns -- which it was set up 100 years ago to do -- then we would have to think relatively less about commodities and more about communities.

That is what we are doing. We are still worried about commodities, goodness knows; we can't get away from that. But more and more the attention and resources of our Department are being focused on the rural community and rural life -- how rural America can be helped to grow and to prosper and to provide a satisfying life to its citizens.

Perhaps these can be called the "non-crop" activities of the Department.

For example:

Farm credit programs, which were once exclusively concerned with farm ownership and operation, were extended in 1949 to farm housing -- and in 1961 to rural non-farm housing and to community water systems which serve rural people, non-farm as well as farm.

The rural electric cooperatives, which have done such a magnificent job of bringing light to the rural farmhouse through Federal loans, are now taking leadership in promoting the growth of non-agricultural enterprises in their areas.

The county agent of the Cooperative Extension Service, a generation ago, was mainly concerned with helping farmers grow more and better crops and livestock.

Now he and his home demonstration partner fill a much broader role of community leadership -- in resource development as a whole. There is an interesting trend toward dropping the word "agricultural" right out of the title of the "County Agricultural Extension Agent" so that his broader role will be clear to everyone.

For the first time in its history, the Department of Agriculture has a full-time specialist working with the President's Council on Aging.

The State experiment stations, in their research, are steadily giving more relative emphasis to communities and less to commodities. So is our Economic Research Service.

So it goes throughout our Department -- with the Forest Service, the Soil Conservation Service, and each other agency.

And all of these non-crop activities are being pulled together within a concept and program we call Rural Areas Development -- or RAD, for short.

The idea behind RAD is simple. It is to stimulate the formation of citizen organizations in rural counties to provide leadership for a comprehensive attack on the economic and social problems of the community. These citizen groups are working on everything from new industries to better farm production and marketing, to better community public facilities, to the particular problems of young people and old folks. And, through the Farmers Home Administration county representative, the county extension agent, and our other Department of Agriculture people in the county, the resources of our Department and other Government agencies are placed at their disposal.

The RAD committees do not supplant any existing organizations, of course. Where a development group already exists, it fits into the RAD pattern. But where

there has been no effectively organized effort of citizens to see how the future of their community can be shaped for the better, then the RAD idea has provided a means of organizing such an effort.

The RAD idea is working. It is catching hold. You will hear more and more about it as the months and years go by.

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The first thing we must recognize is that the problems of rural America will not be solved by rural America alone, or in traditional patterns. In the years ahead as in the past, family farms will get steadily larger -- and fewer and fewer people will be employed in agriculture. That trend is beyond anybody's control. The plain fact is that the decline of rural communities will generally be stopped, if it is to be stopped at all, only through non-agricultural activities. And to this end, city and country must cooperate. As far as government is concerned, it is the problem of all departments, not just that of departments of agriculture.

Excessive migration away from rural areas is not the answer. Just as de-population is not good for the countryside, too rapid growth is not good for the cities. Urban and rural problems, alike, will be alleviated if we can slow the migration and stem the decline of rural areas.

It is far, far better to create non-crop activities where rural people now live than to compel their migration to urban areas that are ill-prepared to receive and employ them.

Agriculture-based industries, timber-based industries, rural outdoor recreational enterprises for city folks, and as much non-agricultural industry



as can be developed -- this is what rural America needs. This is what the RAD committees should, and do, concentrate upon.

All this is the changing environment for rural youths, of which your conference speaks.

Rural America is in transition. But the direction of the transition is by no means beyond our influence and control. To a great extent, it is in our hands. Where we do not plan well, and organize well, and take systematic advantage of all our resources, the transition will surely be further de-population, stagnation, and decline. But where we do plan and organize and make the most of our resources, the transition can be in the other direction -- toward a more stable, prospering, growing rural society, with the great moral values that have always attached to that society preserved and enhanced.

If this be the somewhat uncertain nature of the changing environment, what are the implications for rural young people?

The most important single fact, to me, is this one: Only one out of 10 farm boys today is going to be able to make a decent living as a farm operator when he becomes a man.

When Secretary Freeman first used that figure, the response from people in the field of agriculture was one of dismay, and not a little protest. So we asked our experts in the Department to refine their calculations. They did, and concluded that one out of 10 is conservative. The figure is nearer to one out of 11.

When I say a decent living, I refer to a boy's chance of becoming the operator of an adequate-size family farm. We define an "adequate" farm as one



with \$10,000 or more gross income. This dividing line may be a little arbitrary, but in general our figures show that family farms above that line are sustaining themselves and indeed increasing, while farms with less gross income cannot compete and are declining in numbers. Moreover, \$10,000 of gross receipts is generally the amount required to provide a net income that might be accepted as the American standard of living.

\* \* \* \* \*

This changing rural environment has three major implications for the education of rural young people.

First, agriculture is so complicated these days that, for the one out of 11 who is going to be a successful, full-time farmer, he needs far better educational preparation than farmers have ever had before.

He needs a high order of managerial skill. He must be able to finance, operate, and maintain expensive machinery. He must understand applied genetics and nutrition. He must be able to use pesticides and other farm chemicals with precision. He needs to understand marketing processes, and how to organize and participate in cooperative enterprises, so that he can get a fair price for his product. Not least, he needs to understand the relation of government to agriculture and rural life.

Some city folks suggest that the decline in the number of farmers makes the teaching of vocational agriculture less necessary. Far from it -- the farmer of the future will need to be better trained than ever.

(more)

USDA 3195-63

The next point to be made is quite a different one -- and this is the second implication of our changing environment -- vocational agricultural training alone in rural areas is not enough. Our vocational education must have the broader goal of training the substantial majority of rural young people who will not be able to enter farming or farm-related occupations at all.

Vocational schools in rural areas must be related to the whole range of occupations in urban society; otherwise the farm boy forced off the farm is at a hopeless disadvantage when he seeks a decent job in the city. Only a few States have good State-wide systems of area technical schools; every State should have such a system.

Finally, those young people whom we can retain in rural communities must be educated for rural leadership. They must be equipped to guide and influence the direction of change in that changing environment this conference is discussing.

The preparation of rural boys and girls for all of their responsibilities-- whether for careers in the city or for farming or other rural occupations and for rural leadership -- will not be attained without a broad upgrading of rural education.

Everybody who has studied the subject objectively, I believe, has concluded that a much larger share of our national resources should go into education -- into school construction, into teacher salaries, into student scholarships, and into loans to make sure that all of our ablest young people have the financial means to go to college.

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USDA 3195-63

The Congress is not in disagreement with this conclusion. They have passed bills in the past few years to assist many facets of education, and the passage of a bill for general Federal aid to elementary and secondary schools is prevented only by reasons which have nothing to do with the question of whether the schools need help or not.

But while the need for better education is well recognized, it is not always realized that the need is greater in rural areas. Schools are poorer in the country than in the city, and standards are lower. The average rural citizen has two years less of education than his urban counterpart. A smaller proportion of rural young people finish high school. A smaller proportion go on to college -- about 30 percent as compared to 50 per cent. And, even when a rural youth may have gone to school as many years as the city youth, his instruction will have been by teachers who are less well-paid and less well-trained, on the average, and in schools which in many cases are not large enough to offer a broadly-balanced, modern curriculum.

I hasten to say that our rural schools have improved, and there are many good ones. But large disparities between country and city still exist. On the whole, rural children just do not have the opportunity for education comparable to that of city youngsters. And the difference in quality between rural and urban schools is surely a factor in the higher rural drop-out rate.

One study by our Department, covering 30 States, showed 400,000 drop-outs among 1.3 million rural youths of high school age.

Most of the 400,000 left school when they finished the eighth grade. Only 2 per cent of them quit because they were unable to make acceptable grades.

One out of five dropped out because of lack of money and a need to go to work. Even more disturbing is the percentage -- nearly two out of five -- who left school because they had lost the desire for additional education.

In other words, almost 40 per cent of these young people had the capacity but not the will for further education. Somewhere along the line, it is clear, many able rural youngsters are meeting with discouraging frustrations. They have become apathetic toward education even before they complete grade school. And in quitting school, they move into the reservoir of unskilled workers and low-income farmers whose unemployment or underemployment almost inevitably results in dependency. This is a problem especially of disadvantaged groups. But it is not a matter just of local concern; it is a matter of everybody's concern -- because the illiterate and the dependent are almost as mobile, these days, as the college graduate.

The lower standards of rural education are not due, in the main, to lack of community interest or community effort. Many rural school districts already make a greater effort, in terms of the proportion of their incomes paid in school taxes, than do urban districts. They simply lack the resources. Rural America, by any measure of income or tax resources, lags far behind the rest of the country. Two-fifths of all our low-income families -- those with money incomes under \$2,500 -- live in the countryside. Scores of rural counties are made up predominantly of these low-income families. They cannot compete with richer districts for qualified teachers or provide modern facilities. It is in these poorer communities that the drop-out rate is highest.

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USDA 3195-63

All of these facts make a mockery of the argument, which is still heard even today, that education is a local problem and every community can and should take care of its own. It cannot be done. We need special State aid for rural areas, which most States provide, and we need Federal aid as well. No legislation that we could design for rural America would do more, over the years, than legislation to assist local school boards to provide their children the kind and quality of education they want to provide -- and would provide, if only they had the means to do so. That is why I entitled my remarks today, "Education: The Best Farm Program of All". Let us never forget that the greatest resource of all is the mind of man.

Permit me to close with a word on a bill now pending before the Congress which deserves the support of all of you. It is a measure which the President has recommended to create a national Commission on Rural Life. In the pattern of other Commissions established by the Congress, it would make a broad inquiry into the decline and de-population of so much of rural America. It would bring these problems to national attention and, I would hope, to national action. Through such a Commission, and through whatever other means we can devise -- means such as this Conference -- it is up to all of us to see that the spotlight of national attention is focused just as brightly upon the problems of rural America -- and its promise and its opportunity -- as upon what is right and what is wrong in the great cities of our Nation.

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at 8, 1963  
It's always good to be back home with home folks again. I was real sorry  
C & R  
that I could not fill my engagement with you last year. But I am delighted and  
honored that you invited me back again this time.

Like most of you, a Tarheel born and a Tarheel bred, I have a lot of  
pride in and affection for this State and its people. I come back every time I have  
a chance, and it's always worthwhile.

I am going to talk mostly about North Carolina today, although most of  
what I have to say would be equally applicable to our sister State of South Carolina.  
And I wish to say to our friends who are here from South Carolina that I am par-  
ticularly happy to have this opportunity to meet with them.

Although I have been in Washington now for a good many years, I am still  
closely associated with many fine citizens from our State. It is my honor and  
privilege to work closely with our two distinguished Senators, Sam Ervin and  
Everett Jordan, and with that able Chairman of the House Agriculture Committee,  
Harold Cooley, and the other members of the North Carolina delegation in Congress.

I also have the opportunity to work closely with members of the South  
Carolina Congressional delegation, particularly the two fine gentlemen on the  
Agriculture Committees of the two Houses -- Senator Olin Johnston and Congressman  
John McMillan.

Harry Caldwell, we are proud to say, is Chairman of the National  
Agricultural Advisory Commission, and is doing a magnificent job. Horace Godfrey

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Address by Under Secretary of Agriculture Charles S. Murphy to the annual joint  
meeting of the Farmers Cooperative Exchange and the North Carolina Cotton Growers  
Association at the State Fairgrounds in Raleigh, N. C., at 10:30 a.m., Tuesday,  
October 8, 1963.

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is our extremely able Administrator of the far-flung Agricultural Stabilization and Conservation Service. And there are many others from North Carolina in the Department of Agriculture that I see almost daily in Washington.

It is quite appropriate to have so many North Carolinians in the Department of Agriculture because of the very great importance of agriculture in the economy of this State and in the life of its people.

Agriculture is more than a billion-dollar-a-year industry in North Carolina, and it is possible that this State is more dependent upon agriculture than any other one of the 50 States.

I have been told recently that North Carolina now is one-third rural, one-third suburban and one-third city, and that the State's income is derived one-third from agricultural production; one-third from the processing of agricultural products, and one-third from other sources. Our reliance upon agriculture is underlined by the importance of tobacco manufacturing, cotton textile manufacturing, food processing and timber industries to the economy of the State.

In July of this year, there were more people working on the farms in North Carolina -- 678,000 workers -- than in any other State of the Union.

The last census showed North Carolina had more people living on the farms -- 950,000 people on 200,000 farms -- than any other State.

Gross income from North Carolina farms in 1962 totaled a whopping \$1.354 billion.

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USDA 3335-63

Tobacco was, by far, the leading agricultural commodity in the State, accounting for \$563 million of last year's farm receipts. Poultry and eggs brought in \$185 million to the State's farmers, while meat animals sold for \$88 million, and oil crops brought \$71 million. Corn also is important. Cotton does not occupy this same relative position in the State's agricultural economy as it did 30 years ago when the planted acreage was over 1.3 million acres. But 72,000 farms here had cotton allotments established for 1963 and on thousands of these farms cotton is still the principal cash crop.

Right here in Wake County, farm income last year was estimated at \$34.8 million, which is almost \$2 million more than the estimated payroll for industry in the county, and about \$2 million more than the income from State government payrolls.

Farm income in both Wake County and in the entire State, I am happy to see, is up from previous years. In Wake County, the gain in 1962 over the previous year was approximately \$2 million, while State-wide the increase was about \$42 million.

North Carolina farms average only 87 acres in size. It is easy, therefore, to see that the family farm concept, in which we are so vitally interested in Washington, is of more importance here than in most States.

In North Carolina, as in the rest of the Nation, there is a trend toward family farms becoming larger in size. This is inevitable as farming operations become more efficient and more fully automated, and fewer and fewer people are able to produce larger and larger quantities of agricultural commodities. This process is going on at a rapid pace for almost all crops and also in livestock and poultry. For example, I am told that there are approximately 750 mechanical cotton pickers in operation in North Carolina this year.

Tobacco, however, seems to be stubbornly resisting the movement toward mechanized harvesting. As all of you know, this is really a tough problem. However, it is being vigorously attacked and real progress is being made. I hope the Department of Agriculture will soon be in a position to give added support to this effort because of its potential importance in reducing the cost of production of tobacco.

This, of course, is one way to strengthen the family farm system of agriculture with all of its social and moral values.

Another way to strengthen the family farm system is clearly evident in the two great organizations meeting here today -- the North Carolina Cotton Cooperative Association and the Farmers Cooperative Exchange. For many years, you were under the able leadership of M. G. Mann and now Dewey Arndt.

Leaders such as these have made cooperatives really work. They have shown that co-ops should and can work for the farmers and not farmers for the co-ops.

The co-ops have helped the farmer get cheaper prices for the things he has to buy and better prices for the things he has to sell.

Yes, the farmers of North and South Carolina will long be indebted to M. G. Mann and Dewey Arndt for their dedicated efforts through the years. And this also goes for the dedicated farmers and agricultural leaders who have served on the boards of directors of your cooperatives.

The activities of the Department of Agriculture in support of farmer cooperatives have been strengthened considerably during the past  $2\frac{1}{2}$  years. We feel

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USDA 3335-63

that there is a growing need for strong and vigorous co-ops to enable farmers to hold their own in the tough competition that prevails in the American market place of today. Secretary Freeman is especially interested in this field and has recently issued instructions to all the Department's agencies to assist in achieving increasing effectiveness in the cooperative movement.

Now, I would like to talk a little about tobacco. Since flue-cured tobacco is the most important cash crop in North Carolina, we have been most vitally concerned with its situation.

To go back a little, when the 1962 flue-cured crop began to move into the market, it became apparent that flue-cured tobacco was in trouble. By the end of the season, this concern was confirmed. Some 237 million pounds, representing about 17 percent of the crop, was passed over by the buyers and moved into the hands of the stabilization cooperative under the Government loan program. Some of our most important foreign customers, who have long depended on the United States as their principal supplier of high quality leaf, said that they could not obtain from the 1962 crop the grades and qualities required for their products. Although some concern of a similar nature had been expressed about prior crops, the buying pattern of our foreign customers for the 1962 crop really indicated that they were practicing what they had been preaching.

Something had to be done if we were to continue to maintain our worldwide reputation for high quality tobacco. Indeed, prompt action was needed to hold our exports at current levels -- not to mention our desire to share in the increased free world trade in flue-cured tobacco.

Last November, the Secretary appointed the National Tobacco Industry Advisory Committee to review existing tobacco programs and recommend necessary

changes to maintain sound tobacco programs. I want to thank each member of this committee for his contribution in counseling with the Department in charting the course of actions necessary to keep our tobacco programs sound.

As a result of these deliberations, certain actions were taken by the Department to help improve the quality of our tobacco. I'd like to review these briefly:

1. Public hearings were held to discuss quality factors -- participated in by all segments of the industry from growers to manufacturers.
2. Two additional varieties were added to the discount list.
3. Grade standards were revised to better describe the usability and desirability of the tobacco.
4. Grade loan rates were revised by increasing supports for high quality, mature tobacco and decreasing supports for low quality tobacco.
5. The Department launched an extensive educational campaign advising growers of these changes and the importance of selecting varieties and adopting cultural practices to improve the quality of their tobacco. Land Grant Colleges and other agricultural groups played an important role in getting the story to all farmers.

The decisions to take these various actions did not come easily or automatically.

We found among tobacco growers a general understanding of the importance of maintaining high tobacco quality. We also found a general awareness of the

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USDA 3335-63



serious problems that had developed and a realization that something ought to be done about them. When it came to the question of what specifically ought to be done, we found some very sharp disagreements.

We in the Department were in the position where we had to make the tough decisions one way or the other. We got the best advice we could, studied the evidence as hard as we could, and then exercised as best we could whatever judgment we had been endowed with by our Creator. Then we went ahead.

The responsible leaders among tobacco farmers and in other segments of the industry cooperated splendidly in the effort to improve tobacco quality. Even those who did not agree that the course we chose was the wisest one, did their best to make it work. The result was a large scale and intensive effort toward quality improvement. I wish to compliment and thank all those who devoted themselves to this task.

Naturally, we have been awaiting the outcome of these efforts with keen interest and, I must confess, with considerable nervousness. We have been following the marketing of this year's flue-cured crop quite closely.

While it is too early to evaluate fully the combined effects of our program changes and efforts on the part of growers to improve quality, market information thus far is encouraging. High quality, mature grades are bringing a better price than a year ago, while the lower quality grades are off. Export buyers are more active on the market. We estimate a sizable increase in exports this year over last year because of --

1. Improved quality of the 1963 crop.
2. Smaller crops and higher prices in Rhodesia.

(more)

USDA 3335-63

3. Low stocks of U. S. flue-cured tobacco in importing countries, principally in the United Kingdom.
4. Continued gain in cigarette smoking abroad.
5. Ample gold or dollar reserves in most of the major importing countries.

The general feeling based on these facts and trade talk indicates that growers' efforts to improve quality are noteworthy. However, we must not rest on our laurels, but we should redouble our efforts and further improve the quality of our tobacco in the years ahead. This must be done if we are to hold current levels of exports and share in the increased world trade in tobacco.

One other comment on tobacco -- carryover of old crop flue-cured tobacco at the beginning of the current marketing year is about 200 million pounds or nearly 10 percent above a year ago. The 1963 crop is estimated at 1,305 million pounds -- some 50 million pounds more than estimated disappearance during the year. Thus, some adjustment in production is indicated for the coming year. In this connection, a public meeting to discuss fully the supply and demand outlook will be held in the Memorial Auditorium in Raleigh on November 14th. Anyone desiring to express their views with respect to the adjustment needed should do so at this meeting.

Now, as to cotton. Like tobacco, cotton has its problems. These problems are important to North Carolina not only because of her cotton farmers, but also because of her textile mills and the thousands of people who are employed in them.

The mills suffer a particular inequity because they have to pay substantially more for American cotton than do their foreign competitors. At the same

time, if the price received by our cotton farmers were to be reduced to the world price -- a reduction to about two-thirds of present prices -- the result would be economic disaster in the cotton growing areas of the country. Coupled with everything else, cotton is under steady competitive pressure from man-made fibers such as rayon and nylon; and present price levels for cotton place it under a severe handicap in holding its markets.

The very difficult problem we have is trying, at one and the same time, to reduce cotton prices to domestic users, to maintain the income of cotton farmers, and to keep the costs of the cotton program to the Government within reasonable limits. This is not easy.

We have been working with Congressman Cooley and other Members of Congress for the past year trying to find a solution to this vexing problem. Chairman Cooley has a bill which we hope will soon be considered and passed by the House of Representatives. We believe this bill will help substantially to alleviate the problems of the cotton industry. It should result in substantially larger consumption of cotton and permit larger acreage to be grown than would otherwise be the case.

While the bill would increase the costs of the cotton program, these increased costs would be more than offset by reduced consumer prices for cotton textiles.

There are many diverse and sometimes conflicting interests among the people who are concerned with this legislation. Mr. Cooley has done a remarkable job in reconciling these various interests thus far -- but if legislation is to be enacted into law, he will have to have some more help -- a lot more help. The

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USDA 3335-63

people who are interested in cotton will have to subordinate some of their particular points of view to the general good enough to reach a common ground of agreement -- and will have to work together.

Finally, I would like to talk a little about exports to other countries. This is of critical importance to U. S. farmers in general and North Carolina farmers in particular. Farm exports from North Carolina totaled more than \$210 million in 1961. That means that over 18 percent of gross farm receipts that year came from exports. In tobacco and cotton, the proportion is much higher than that-- near 40 percent. Just think. What would it mean to each of you to have your income from cotton and tobacco cut 40 percent by the loss of all our export markets. Fortunately, that is not about to happen. On the contrary, exports of both these commodities are expected to be better this year than last year.

Indications are that exports of flue-cured tobacco will be about 10 percent above the 432 million pounds (farm-sales-weight) exported during the past season.

To maintain and expand this level of exports for the long run will require the best efforts of all of us. Flue-cured tobacco is the most important kind of leaf entering world trade. It accounts for nearly half of all tobacco moving into world markets, and is by far the leading kind exported from the United States.

We have in recent years been meeting increasingly stiff competition from Rhodesia and other flue-cured producing countries. We have been losing our share of world trade in tobacco. Our share of free world exports in 1962 was only about 28 percent, compared with an average of 38 percent in the early 1950's. I point this out not to alarm you but to emphasize the importance of producing high quality

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USDA 3335-63

tobacco. We cannot compete with the other countries on price without drastically lowering our price structure. But we can compete with them -- and beat them -- on quality. If we grow the best tobacco we know how to grow, nobody else can equal it anywhere in the world. That's what we must do to keep our markets.

In the Department of Agriculture, we will do all we can to bring this about. But the ultimate results rest with the growers themselves. I urge them and I urge all of you -- let's keep up the good work we started this year in restoring the quality of our flue-cured tobacco.

In the case of cotton, we expect exports to go up from last year's 3.3 million bales to 5 million. We are operating an export sales program that is keeping our cotton fully competitive in world markets. Most of our cotton exports currently are coming out of surplus Government stocks. Frankly, we would prefer for them to come out of the 1963 crop as it is marketed, and we hope this will be increasingly the case as we get further into the marketing year. However, I trust we can all agree that the most important thing is to get it exported.

As in the case of tobacco, we are meeting more and more competition in the export market from cotton grown in other countries. Man-made fibers are also competing fiercely with cotton for the textile market in other countries as well as in the United States. We can maintain our fair share of the world market only by making sure our cotton stays fully competitive. That is exactly what we expect to do.

In cotton also, competition is a matter of quality as well as price. Modern cultural practices and harvesting methods appear to be developing some substantial new quality problems. We will need to pay more attention to correcting these deficiencies, and we will want your help in that.

In conclusion, I want you as my home folks to know that I find my work in the Department of Agriculture to be perfectly fascinating. That Department is one of the great service institutions of the world. It provides the widest variety of services for the greatest number of people that you can imagine. Considering all the responsibilities it has -- which range far beyond working with farmers -- I believe it does an excellent job.

We have many representatives of the Department who work here in North Carolina. We are very proud of them, and I am confident that you hold them in high esteem. Speaking for them and for myself, I promise you that we will keep on doing the best job we can.

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USDA 3335-63



RESOURCE CONSERVATION AND RURAL AREAS DEVELOPMENT

OCT 29 1963

C & R-ASF

It is indeed a pleasure to be here this evening.

First, it gives me an opportunity to thank personally those of you who actively support and undertake the tremendous job of conserving and developing our natural resources on private land.

Second, it gives me a chance to discuss some of the challenges in resource development -- problems involving both human and natural resources -- that face us today.

Finally, I would like to talk about ways of meeting these challenges -- through the Department of Agriculture's Rural Areas Development approach -- a program we feel will do much in curbing unemployment in rural areas, strengthen the family farm, and develop natural resources to meet the needs of all the people.

It's an honor to be here at Allegheny College and take part in the Crawford County Soil and Water Conservation District annual meeting. I am also honored to talk to you folks from Mercer and Venango Counties who, with Crawford County, have made application for a Resource Conservation and Development project.

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Remarks by Under Secretary of Agriculture Charles S. Murphy at annual meeting of the Crawford County Soil and Water Conservation District, Allegheny College Auditorium, Meadville, Pennsylvania, 8 P.M., EDT, October 18, 1963.

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Fortunately we did not arrive here at Meadville by the most direct route or in the shortest possible time. We have been on the road and in the air for the past 12 hours seeing first hand the accomplishments you district cooperators have made in resource development and the problems you face.

We had an intensive air tour of this extremely scenic three-county area. We saw the upland conservation work you people have established. We have made on-site visits to three of the area's small watershed projects. I had the privilege this afternoon of dedicating the Saul-Mathay watershed project in Mercer County.

It has been a stimulating day. I've listened to local people -- farmers, district supervisors, and businessmen -- tell what they have done, what they are doing, and what they wish to do to improve the rural economy in Northwestern Pennsylvania. This is truly Rural Areas Development in action. I am proud of the part the Department of Agriculture has had in helping to bring this about.

Since I have been serving as Under Secretary of Agriculture, soil and water conservation districts and the men who govern them have won my increasing respect and admiration. You district cooperators and supervisors have much to be proud of. The soil conservation district ~~movement~~ is one of the most rewarding ventures ever undertaken. I commend you for the work you are doing.

Even more important is your concern for the future. We have come a long way in resource conservation, but we still have a long way to go. And the going won't be easy. It is more important now than ever before that we accelerate the development and use of our resources to serve the needs of all the people.

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USDA 3474-63

This is an enormous task. It involves human as well as natural resources -- it involves people as well as soil, water, forests, and wild-life. We cannot effectively tap the tremendous store of resources in rural America and ignore its social and economic problems. They go hand in hand; they are part and parcel of each other.

Rural America today faces serious problems. In many areas there are depressed conditions, underemployment, unemployment, inadequate housing, inadequate educational and community facilities. Young people are leaving the farms and small towns for lack of job opportunities.

Present unemployment in rural areas is equivalent to 4 million unemployed annually -- 1.4 million on farms and between 2 and 3 million among rural non-farm people. In addition, 4 million new jobs will be needed in the decade ahead for rural youths.

Half the poverty in the United States today is rural poverty. Unfortunately a great deal of this is found on forested land. Much of this land has good potentials, but they are underdeveloped, undeveloped, or neglected.

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USDA 3474-63

Farms have become more mechanized and more specialized. They are becoming fewer in number and larger in size. In many areas of the United States, farming is a part-time enterprise. The farmer and his family must seek off-farm work in order to maintain a reasonable standard of living. Far too often off-farm employment is unavailable.

There are many unsatisfied needs for land and water resources. We need more land for outdoor recreation, for timber, for grazing, for industry, and other non-crop uses.

Land for recreation -- especially in areas near high population centers -- is in greatest demand. People today have more time, more spendable income, and greater mobility than ever before. They are seeking the out-of-doors as never before.

They want to swim, fish, hunt, boat, picnic, hike, camp, and just relax in areas far removed from the hustle and bustle of city living. Public recreation areas in many areas are already overtaxed. Recreational visits to the National Forests alone have increased 240 percent in the past 10 years. The Forest Service and other agencies are continually expanding recreational facilities, but like State agencies and the National Park Service, they know they will never come near satisfying the tremendous demand. We must turn to private rural land to meet much of our outdoor recreation needs.

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USDA 3474-63

These are some of the problems facing rural America. What is the most effective way of approaching them? How do we bring about techniques through which rural America can share in the national prosperity to which it has contributed so largely?

One way to meet the challenges in rural America is to develop new and profitable uses for the resources of the community and area. This can be -- and is being -- accomplished through the Rural Areas Development approach.

This approach is a blend of going programs and new programs to focus all available resources to serve locally initiated activities. It is a major effort to meet the challenge of imbalance in land use and population patterns in our rural areas.

We saw Rural Areas Development in action today from the air as we viewed the conservation patterns in field after field. We saw it on our motor trip through the countryside, and at each watershed project we visited.

There is probably no better example of Rural Areas Development than the small watershed program. In area after area where projects have been developed, the entire economy has benefited. Upstream watershed projects have effectively reduced flooding on both rural and urban land. They have provided the means for additional water for municipal and industrial uses, thus making the area more attractive for industrial development. Watershed projects have formed the foundation of water-based recreation developments in many areas.

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USDA 3474-63

Through the Food and Agriculture Act of 1962, Congress saw fit to expand the small watershed program to include cost-sharing on public recreational facilities and development of industrial and municipal water facilities for future use.

Project sponsors may now receive up to 50 percent of the cost of enlarging the dams, obtaining land, and establishing minimum basic facilities in developing recreation areas in watershed projects. Thus Congress added another tool -- an extremely important one -- in the Rural Areas Development kit.

That wasn't all Congress did. It also authorized Rural Renewal Projects which may help stem the tide of rural poverty in many areas.

It now allows the Department of Agriculture to give technical help and long-term loans in establishing income-producing recreational enterprises on private rural land. During the past year interest in this phase of the Rural Areas Development program has been extremely gratifying. Nationally almost 40,000 soil conservation district cooperators discussed the possibility of developing recreational facilities on their land with district board members and SCS field personnel. More than 9,800 have already established one or more income-producing recreational enterprises on their land. For 10 percent of these land owners and operators, recreation has become their primary source of income.

In Pennsylvania, 836 district cooperators indicated an interest in recreation for profit and 155 have already established one or more recreational enterprises on their farms.

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Congress also authorized the Cropland Adjustment Program now underway with pilot projects in 141 counties. Under this program farmers will be offered transitional payments for converting surplus producing cropland to pasture, trees, and land for recreational uses.

Congress also paved the way for Resource Conservation and Development projects which will enable farmers, city people, rural communities, and other groups to work together to improve land use patterns and develop the natural resources of rural areas.

In a project area, USDA programs, both new and old, will be concentrated and accelerated in an attempt to provide additional economic opportunities to the people. The success of the project -- as with all Departmental projects -- will depend on the effort put forth by the sponsoring and endorsing organizations.

The specific goals will vary from project to project but emphasis will be put on strengthening the family farm through conservation planning, on developing both private and public outdoor recreational facilities, on encouraging rural industries to make use of the raw materials produced in and near the project area, and on prompting community land use adjustments and facilities.

Although the Soil Conservation Service has leadership in the program, many other Federal and State agencies have important roles to play in the fields of credit, research, education, cost-sharing, technical help, and specialized services.

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USDA 3474-63

This is one of our most promising new tools for the development of rural America.

In May of this year Secretary Freeman announced the four-county Lincoln Hills Area in Southern Indiana as the first project under this program.

It is my pleasure tonight to announce selection of the Northwestern Area of Pennsylvania as the second in the United States to receive Department of Agriculture help in a Resource Conservation and Development project.

This pilot project in Crawford, Mercer, and Venango Counties will speed up water resource development, recreation and tourist development, land use adjustments, and industrial development in a rural area of more than  $1\frac{1}{2}$  million acres of land, the largest project area selected to date.

The project is sponsored by the boards of commissioners and soil and water conservation districts in the three counties. It has been endorsed on behalf of Governor Scranton by L. H. Bull, Pennsylvania Secretary of Agriculture, who pledged the resources and assistance of the State and its agencies in forwarding the planning and carrying out of the project.

USDA planning assistance on the project will begin shortly after Congress approves appropriations for this work. Initially the Soil Conservation Service will assign a planning staff to the area to work with local people in developing an overall resource development program which will pinpoint how local, State, and Federal resources can be used to best advantages in carrying out this project.

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Once the plan is developed, USDA will anticipate giving financial and technical help to the local groups responsible for the project.

The three-county Northwestern Area is rich in natural beauty, and there is great potential for developing its resources to serve new uses. The area is not without its problems. Soil erosion and poor drainage are major land problems. Heavy rains periodically sweep down the short steep hills and flood the broad flat valleys below. Damage to urban areas is extensive. Idle land is on the increase. There are inadequate markets for farm products.

To develop the area's resources the project sponsors have cited the need for 10 small watershed projects which would afford flood protection and new water impoundments for recreational development.

They also cite the need for accelerated soil conservation work, reforestation, expanded market facilities, and income-producing recreational enterprises on private land.

The sponsors feel that through the Resource Conservation and Development Project they will strengthen the family farm, improve job opportunities; conserve and develop cropland pasture and woodland acreages; and bring recreation closer to millions.

It pleases me greatly to see the initiative and leadership that has brought this project to the point it is today. I urge others to join this group. This project will provide an exceptional opportunity for city and urban people from the 8 million living within easy reach of this area to join with local people to create new recreational outlets.

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USDA 3474-63

Let me again commend you on the work you are doing.

The success of this project will be measured by the desire of rural people to move ahead economically. Its success will depend on the help the rural people are offered by others who wish to make rural America a better place to live, work, and play.

As you progress with this project, you will be pioneering in a new phase of Rural Areas Development. We will all have much to learn from this endeavor.

I wish you Godspeed.

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Dec. 5, 1963

THE PLACE OF RECREATION IN AGRICULTURE

Your President asked me to talk about "The Place of Recreation in Agriculture."

Now, when you think about it, what place does recreation have in agriculture? And what does it have to do with soil conservation districts?

A quarter of a century ago, when soil conservation districts were first getting a start, the question would have been a preposterous one. And here, today, the soil conservation district supervisors of the Nation's No. 1 agricultural State gather in that State's No. 1 agricultural county to sit down at luncheon and talk about--what? To talk about recreation!

Both recreation and soil conservation districts are "signs of the times" in agriculture. They are part and parcel of the modern technological world in which we live. And it isn't strange that they should come together in the most affluent agricultural region of the Nation. For the affluence of our national economy creates the opportunity and the demand for recreation, and soil conservation districts certainly have contributed to the success of our agriculture.

Next year, I am told, California will celebrate the 25th anniversary of its soil conservation districts. Undoubtedly, this quarter of a

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Address prepared for delivery by Under Secretary of Agriculture Charles S. Murphy at the 18th Annual Convention of the California Association of Soil Conservation Districts, Hacienda Motel, Fresno, Calif., Noon (PST) December 5, 1963. (Address, due to Under Secretary Murphy's inability to attend meeting, is scheduled for delivery by Hollis R. Williams, Deputy Administrator for Watersheds, Soil Conservation Service, U.S. Department of Agriculture, Washington, D.C.)

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century of district activities has been a major factor in changing California's agriculture from exploitive soil mining to widespread conservation farming, resulting in better management of land and water, higher farm incomes, and great progress in meeting the impact of an expanding population on natural resources.

Conservation agencies in your State excel in many ways. That is true not only of soil conservation districts, represented by this association, but of the other members of California's conservation team.

The U.S. Department of Agriculture recognizes the extraordinary accomplishments of your State Department of Conservation, and its distinguished director, DeWitt "Swede" Nelson. Mr. Nelson has given outstanding leadership to the State's soil and water conservation program and is a valued member of the Secretary of Agriculture's Advisory Committee on Soil and Water Conservation.

I am pleased to note that your 163 soil conservation districts now cover 70 percent of the State's land area, which is somewhat more than the share of a State's non-Federal rural land that is usually regarded as the normal responsibility of districts. This indicates to me that your districts include considerable areas of Federal land and that desirable arrangements for Federal, State, and local cooperation are being worked out.

So, here we are today, in the richest agricultural area of the Nation, to talk about recreation.

I needn't quote a lot of statistics to make you aware of the fantastic demand for recreation today. Here, in the most populous State

(more)

USDA 4058-63

in the Nation, near the great metropolitan areas of the western seaboard, you see it all around you--the congested highways carrying pleasure-seekers to and from overcrowded beaches and swarming playgrounds, the lines waiting to tee off at the golf courses, strings of horseback riders on the bridle paths, overflowing picnic areas and campgrounds.

We are apt to think first of the more obvious kinds of amusement--sports and games and the commercialized activities that require expensive facilities and concentrations of people. But there is also a growing interest among urban people in outdoor activities that take them away from noisy crowds and restore their contact with the simple elements of the natural environment, such as our pioneer forefathers knew.

Most of you are familiar by now, I am sure, with the report of the Outdoor Recreation Resources Review Commission. This report brought forcibly to the attention of the Federal Government, and to the general public, the magnitude of outdoor recreation activity and the prospect that the demand would double by 1976 and triple by the year 2000. It resulted in the creation of a Bureau of Outdoor Recreation in the Department of the Interior and in broadening the services of the Department of Agriculture for developing outdoor recreation facilities on private land.

Among other things, this 3-year study revealed that the simple outdoor pursuits that give opportunity for relaxation and solitude are the most popular; such activities as picnicking, swimming, sightseeing, walking to scenic points, photography, sunbathing, camping, and trail hiking.

This is significant to agriculture, of course, because all these activities require room on the land. Outdoor recreation is a land use.

The more intensive forms, that require playing fields and amusement parks, take exclusive occupancy of the tracts devoted to them. Others, like hunting, hiking, and sightseeing, can be incidental uses of cropland, pasture, or woodland, and can be combined in various patterns of multiple use of rural land.

Outdoor recreation is significant to farmers and ranchers, and to soil conservation districts, because of the impact it has--and will have in the future--on (1) land and water resources, and (2) on family farm income and the rural economy.

The Federal government, under the new leadership of the Bureau of Outdoor Recreation, is committed to preserving and increasing recreational opportunities on public land, in national parks and forests, wilderness areas, seashores, and special recreation areas. It also is encouraging States and local governments to acquire land and expand outdoor recreation facilities.

But it is plain that public lands alone cannot meet the foreseeable demand for outdoor recreation. Visits to National Forests increased 240 percent in the past 10 years; National and State Parks experienced similar increases. Obviously, we cannot expand our public land holdings and facilities at such a rate.

The alternative is simple. Three-fourth's of the Nation's land, and considerably more than half of California's, is privately owned--most of it in the farms and ranches that surround our growing metropolitan areas. This is where the demand for outdoor recreation will have to be met for the most part--on land that is owned and operated by farmers and ranchers,

or, perhaps, by a new class of entrepreneur who specializes in outdoor recreation services. In providing city dwellers and suburbanites with outdoor fun they want and need, the American farmer can go far in solving his problem of how to make a living from land and water no longer needed, or physically unsuited, for growing crops.

The Department of Agriculture is concerned with outdoor recreation also because it is a new economic product of the land with great potential for raising farm family income and for strengthening the rural economy. By offering new and profitable uses for the resources of each community and area, recreation enterprises can contribute to our common goal of Rural Areas Development.

The Department of Agriculture is very serious about this idea of Rural Areas Development. Secretary Freeman instituted RAD in 1961, and he has directed all agencies of the Department to focus all available resources in each community or area on the central objective of sound economic development. In some parts of the country, this effort takes the form of providing new jobs for underemployed rural people and developing new sources of income for marginal family farms. In more fortunate regions, it may be concerned more with orderly development and conservation of land and water resources to assure economic stability and the highest quality of rural environment for pleasant living. I would think that the latter might be of particular interest to parts of California now feeling the pressures of growing population and spreading urbanization.

To date two-thirds or more of the Nation's counties have organized RAD Committees which are at work on county and area programs. In each

(more)

USDA 4058-63



instance this is a community-wide effort that brings together the knowledge and thinking of all interests. Soil Conservation Districts, with their long experience in conservation planning, needs studies, and the like, are in a position to make a substantial contribution to this process. I hope that you will do what you can to move this task to completion in California. State and county workers should be encouraged to place greater emphasis on RAD planning by the knowledge that President Kennedy, shortly before his death, established a Rural Development Committee at cabinet level to put the full force of Federal departments and agencies behind the job.

Outdoor recreation developments can be a major aspect of Rural Areas Development. The U.S. Department of Agriculture has a number of services to offer in this activity, some of them new and some of long standing. Let me review them briefly.

Your soil conservation districts for years have been assisting land owners and operators in the use of land and water in ways that increase fish and wildlife and create pleasant surroundings for outdoor recreation. As you well know, the Department of Agriculture has helped with technical information and assistance, with educational activities, with credit and cost-sharing in its regular conservation services. More than a million farm ponds and lakes, and many other conservation practices that contribute to the interest and beauty of the rural landscape already are being used by farmers and ranchers as a basis for income-producing recreation enterprises.

The Forest Service has done pioneer work in developing recreation facilities on the National Forests, which are available for public use. In this work it has accumulated a remarkable store of experience and information about such things as the construction and administration of picnic



areas and camp grounds, and the management of fishing waters and hunting areas, which it is making available for use on private lands.

Small watershed projects have produced an unforeseen harvest of water-based recreation on the small lakes created by floodwater-retarding structures. A survey that has just come to my attention covering 91 reservoirs in Mississippi that had been stocked with fish two or more years showed that they provided 34,625 visitor-days of recreational use in 1962.

These are ways in which the Department of Agriculture has been improving outdoor recreation resources in its regular work in recent years. The Food and Agriculture Act of 1962 authorized additional and specific assistance to farmers, ranchers, and other landowners in developing recreation resources for profit, and the Secretary has directed the agencies to increase their assistance under older authorizations. In Secretary's Memorandum 1516 he assigned to the Soil Conservation Service leadership for the Department's activities in this field and for liaison with other Federal, State, and local agencies assisting with recreation development. Within the past year the several agencies of the Department have worked together to formulate policies and procedures and assemble technical information for a vigorous effort to encourage income-producing recreation enterprises on non-Federal land.

Among other things, the Food and Agriculture Act authorized a Cropland Conversion Program under which the Department, in designated areas, may provide financial assistance to farmers or ranchers who convert cropland to other uses, including wildlife habitat and recreation. Transition payments are available to lessen the immediate costs of the shift. The

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USDA 4058-63

Agricultural Stabilization and Conservation Service has leadership for this program. The agreements with individual landowners are based on farm conservation plans developed through soil conservation districts with Soil Conservation Service technical help. The program is now under way in 41 pilot counties in 13 States.

Resource Conservation and Development Projects are another new program that offers possibilities for recreation development. These projects will be locally initiated and sponsored, within approved areas of several adjoining counties or watersheds. They will concentrate all USDA programs on the conservation and coordinated development of land, water, and related resources, and may include appropriate developments for recreation. Here, again, soil conservation districts will have a major role as local sponsors and the Soil Conservation Service will have responsibility for assistance in planning and carrying out the projects.

Amendments to the Watershed Protection and Flood Prevention Act now authorize recreation as a major purpose of projects and provide for cost-sharing on such developments. Federal loans may also be made for the local share of the costs. An enthusiastic response to this provision has already brought proposals for recreation developments in 50 projects, including the Napa River and Pine Creek watersheds in California.

The 1962 Act also authorizes USDA to make loans through the Farmers Home Administration to farmers and rural groups for developing income-producing recreation enterprises. To November 1 of this year, 111 farm operators have borrowed a total of \$800,000 to develop camping and picnic grounds, shooting preserves, and to build lakes for fishing, swimming,

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USDA 4058-63

and boating. Twenty-two non-profit associations have borrowed \$1,700,000 to finance larger recreation projects.

Cost-sharing also is now available to individual farmers and ranchers through the Agricultural Conservation Program for specific conservation practices of benefit to wildlife and recreation development.

These, then, are the tools the Department of Agriculture has to offer in the development of outdoor recreation. How can soil conservation districts use them? What is the place of recreation in your programs?

This is an area in which we are still feeling our way. I do not think we have clear answers yet to all the questions regarding recreation as an agricultural enterprise, or a clear understanding of the potential role of soil conservation districts in this field. I merely want to review some of my thoughts with you and depend on your experience and good judgment to show the way.

As a matter of fact, your experience in California gives us some of the best indications of what soil conservation districts can do. So far as I know, you have the first districts to be organized primarily for the purpose of conserving and developing recreation and wildlife resources. If my information is correct, the Suisun (Soo-soon) District consists of nearly 100,000 acres of marshland used mainly for waterfowl habitat and includes among its cooperators 180 gun clubs. And the Grassland District uses low-quality drainage water returned from irrigation systems to grow feed and provide nesting areas for migratory waterfowl. The State Division of Conservation, the Department of Fish and Game, and other agencies join with the Soil Conservation Service in providing technical assistance to these

districts. This, I think, is a notable pioneering example of the operation of soil conservation districts in this new field of land and water management for recreation.

Essentially, I think the primary role of soil conservation districts in recreation development, as in other aspects of conservation, is to coordinate and direct the efforts of all agencies and organizations able and willing to help with the conservation job in each individual district. You have a quarter of a century of experience in this type of activity and I am confident that you can handle with equal success the problems connected with recreation land use.

One problem--or maybe it is more of an opportunity--that will claim your attention in California is the joint use of private and public land in the same recreation enterprise. Nearly two years ago the Department assigned a task force to investigate the status of income-producing recreation enterprises on farms and ranches. In a few weeks it assembled information on more than 700 going private recreation businesses. Some of the most successful were operations that made use of public land--mainly in National Forests and National Parks--adjoining a privately owned base on a farm or ranch. With the large acreage of public land you have in California, much of it of high scenic and recreational value, you must have unusual opportunities to combine public and private land in the same operation. Soil conservation districts and their technical staffs can help in working out the sometimes complicated arrangements that will make these enterprises successful, and at the same time protect the public interest in the public land resources.

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USDA 4058-63

As a final closing point, I want to remind you that recreation is only one of many new aspects of land use and conservation that face soil conservation districts today. I am sure that Californians are more aware than most people of the rapid changes taking place in agriculture and in land and water use. Districts that were organized 25, or 20, or even 10 years ago need to take a good look at their programs and objectives and see if they have really kept abreast of these changes. They need, further, to look ahead, and to adjust their programs to meet the impact of population growth and technological advances we know are in the offing.

This is a matter of very real concern to Secretary Freeman. Early in 1962 he offered to sign new Memorandums of Understanding with districts that would review and revise their programs to include the broader aspects of conservation we deal with today. So far, the Secretary has signed nearly 600 new working agreements and we know that many others are on the way. Twenty-one of California's districts have submitted modernized programs. I think you will agree that this is a job that needs to be pushed forward as rapidly as possible.

I want to congratulate you again on your fine program at this meeting and the splendid progress you are making in the conservation of California's land and water resources. I am glad that you included a new topic like recreation in your program. It shows that you are aware of the changing scene in which we work, and that you are broadening your objectives to conserve the land not only as a source of livelihood but as a wholesome and satisfying place to live as well.

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USDA 4058-63

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FOOD POLICY AND FOOD LAW

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I am very glad to have this opportunity to speak to you about the food policy of the United States and about the place of law in helping to achieve that policy.

I would say that our food policy has three principal aspects: first, to provide an abundant supply of pure and wholesome food for the American people at reasonable and stable prices; second, to use food as a means for achieving a peaceful and prosperous world through international trade and foreign aid; and third, to see that the farmers who produce the food receive a fair level of income.

There are many, many Federal statutes designed to help implement this policy. Some of these laws are old; some are new. They have developed gradually to deal with the changing circumstances under which our Nation has met its food needs since its beginning.

Many years ago, possibly on this very spot, an Indian family worked, enjoyed life, and passed on to their happy hunting ground. Their life was simple because they spent almost all their time working just to have enough to eat. Men hunted, women grew corn and beans, children picked berries. Probably 90 percent or more of their time was occupied in getting food. Today, in the 20th Century, the sun still shines on families who spend most of their waking hours struggling to keep their stomachs filled, or just partly filled.

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Address by Under Secretary of Agriculture Charles S. Murphy, at Profession of Law lecture series, Vanderbilt University Law School, Nashville, Tennessee, 7:30 p.m., CST, December 12, 1963.

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But we in the United States now take our food and full stomachs for granted. If we are hungry, we go to the corner grocery or supermarket or restaurant and buy what we want. I don't think anyone in the room ever heard a storekeeper say, "There's no food today, come back tomorrow." When disaster strikes or when the breadwinner's job disappears, we have an abundance to share with the needy.

We accept low-cost food and interesting menus as part of daily life. Here are two examples:

Some of you in the room who grew up in the depression or before may remember when a Christmas orange in your stocking was a real treat. Today, we calmly accept not only oranges, but avocados, year 'round strawberries and other fruits, chicken available seven days a week -- not just on Sunday, lettuce from California, and we think nothing of eating these once-precious foods without regard to season.

But, you say, we have all these things because we are paying more for our food. This just isn't true. Our agriculture has become so efficient that we actually spend a smaller share of our income for food than any people in the history of the world -- 19 percent of our take-home pay compared with 26 percent 15 years ago...compared with 30 percent for West Europeans, 50 percent or more for Russians, and up to 90 percent for many less developed nations.

One reason we have so many cars, television sets, suburban homes -- and law schools -- is that we don't have to spend so much on food. It's because American farmers, and the entire food marketing industry -- from field to check-out counter -- are so efficient.

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USDA 4182-63

It wasn't always this way. One hundred years ago, we had about the same number of farm workers as today -- seven million. Those seven million, working with hand tools, horses, and crude implements, grew enough food for a population of 30 million. Today's seven million farm workers grow enough to feed 190 million of us, to sell billions of dollars of agricultural commodities abroad, and to aid the developing nations through Food for Peace as well as care for ~~our~~ own needy.

So today's farmers -- seven percent of us -- produce five times more than their great-grandfathers did, enabling the other 93 percent of us to live better and enjoy modern life. If we farmed today the way we did 100 years ago, we would need 40 million farm workers -- half our work force -- and we still wouldn't be as well fed as we are.

Whether this dramatic improvement of the past century came about because of the Department of Agriculture, or in spite of it, may be a matter for dispute. But the weight of evidence is that the Department, in partnership with the farmer, played no small part in helping to bring about the space age.

In any event, the Congress seems to think the Department does a good job, because for the past 100 years they have been loading one job after another on USDA, until today we have more varied activities than any other Federal agency.

This growth in USDA responsibility and the remarkable increase in the efficiency of American farms has been accompanied by another phenomenon, the development of our food marketing system. A hundred years ago, most people who ate green beans went out in the garden and picked them. Marketing was a quick trip from the back yard to the kitchen. Today it's different.

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USDA 4182-63

The beans are grown where they grow best, often hundreds of miles from your home, and you pick them up at the frozen food counter in the corner supermarket. A lot of things have happened in between. That's the marketing system.

The marketing system is taking more and more of our food dollar. Fifteen years ago it was 49 cents. This year we expect it to be 63 cents. That leaves 37 cents for the farmer, from each dollar we spend for food. So you see that the man who produces the food you eat gets only about 1/3 of the 19 percent of your income you spend on food. In other words, he -- the farmer -- feeds the rest of us for about 7 percent of our income. You might remember that the next time you hear anyone complain about the farm problem.

Not only does the marketing system take most of your dollar spent for food, but it also provides more jobs than there are in agricultural production. I do not mean to say or imply that it is bad for this much money and this many people to be involved in the food marketing system. The only point I want to make is that it's important, and that if we are going to provide abundant food for the American people at reasonable prices, we must pay major attention to the marketing system as well as the production system. USDA does exactly that, although relatively few people realize it.

USDA's work in marketing, as well as in agricultural production, conservation, research, and in a host of other fields, is founded in Federal law. Our formal cooperation with the States and their local subdivisions such as soil conservation districts, municipalities, school districts and so on, in many activities is, in addition, based on State law.

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USDA 4182-63

Fortunately for you and for me -- and for the legal profession generally -- the Department of Agriculture, like most major enterprises, needs legal services. Our General Counsel, a native South Carolinian who received his legal education at the University of Kentucky and the University of Michigan, heads an office of some 200 lawyers, 125 of whom are in Washington and 75 in regional and branch offices throughout the country. We also have many lawyers in the Department in administrative positions, including the Secretary of Agriculture himself. The 200 lawyers in the General Counsel's Office come from about 40 States and 75 different law schools. We do not have a lawyer on our staff who graduated from your law school, but our General Counsel tells me that this is not our fault. He was here early this year talking with Dean Wade about graduates who might be interested in our work. Unfortunately, despite our efforts, we were unable to employ anyone from the graduating class last June.

When we examine some of the legal responsibilities of the Department of Agriculture, we can see why we need these lawyers. You hear a lot of talk, mostly loose talk, about how we control or "regiment" farmers. You don't hear nearly so much about how we control the food marketing industry, but that is where most of the regulating takes place. I might add also that the food industries which we regulate do not have an opportunity to vote in a referendum on whether or not they want to be regulated, a choice which the farmers have, as I shall explain later.

All in all, I believe the Department of Agriculture administers the most comprehensive group of regulatory laws of any Department or agency of the Federal Government. When you think of Federal regulatory activities, you are likely to have in mind such independent agencies as the Interstate Commerce



Commission, the Federal Trade Commission, and the Securities and Exchange Commission, probably because these agencies have no function except in the regulatory field. On the other hand, the Department of Agriculture is an executive Department administering a wide variety of programs in addition to the regulatory programs, which are administered through separate organizational units within the Department. The first Hoover Commission, set up to study Government reorganization, in one of its reports in 1949 stated:

"The Department of Agriculture is one of the largest regulatory agencies in the Federal Government. It administers the greatest number of regulatory acts of any Federal agency -- acts which vary widely in subject matter and in administrative and enforcement procedures -- and has had long experience in the regulatory field."

Some of the regulatory Acts administered by the USDA are as follows:

1. The Packers and Stockyards Act.
2. Agricultural Marketing Agreement Act of 1937.
3. The Agricultural Adjustment Act of 1938.
4. The Perishable Agricultural Commodities Act.
5. The Federal Seed Act.
6. The Federal Insecticide, Fungicide and Rodenticide Act.
7. The Meat Inspection Act.
8. The Poultry Products Inspection Act.
9. The United States Grain Standards Act.
10. The Sugar Act.
11. The Commodity Exchange Act.
12. The United States Warehouse Act.

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USDA 4182-63



13. The Virus-Serum-Toxin Act.
14. The Anti-Hog-Cholera Serum and Hog-Cholera Virus Marketing Agreement Act.

When the Hoover Commission says these Acts vary widely in subject matter, it means we regulate a large number of different industries. When the Commission says these Acts vary widely in administrative and enforcement procedures, that is a considerable understatement.

Each of these laws differs from the others, and all of them differ from regulatory laws administered by other agencies. They have many variations and innovations otherwise unknown in the field of administrative law. In the laws administered by the USDA, unique procedures are commonplace. Each of them appears to have been designed on a wonderfully pragmatic basis to get a job done.

There are two things these laws have in common: first, they are all designed to help achieve the food policy I have described; second, the Secretary of Agriculture is responsible for administering all of them -- along with his other duties. I can tell you that the Secretary of Agriculture is a very busy man.

The most remarkable thing about this complex of regulatory laws, perhaps, is the fact that on the whole it works extremely well.

The Department's litigation under regulatory statutes has resulted in some of the more important cases in the field of constitutional and administrative law. All students of administrative law are familiar with the Morgan cases (298 U.S. 468; 304 U.S. 1; 307 U.S. 183; 313 U.S. 406) dealing with the requirements of a fair hearing, which arose under the

Packers and Stockyards Act, and with U. S. v. Rucizka (329 U.S. 287) dealing with the exhaustion of administrative remedies, which arose under the Agricultural Marketing Agreement Act of 1937. Stafford v. Wallace (258 U. S. 495) and Wickard v. Filburn (317 U.S. 111) involving the Packers and Stockyards Act and the Agricultural Adjustment Act of 1938, respectively, are landmark cases on the constitutional power of Congress to regulate commerce.

I will not impose upon your time to discuss all of the regulatory laws administered by the Department or to go into great detail about any one of them. I do want, however, to discuss the more important laws to give you some idea of the nature and extent of the Department's regulatory activities.

Some of the regulatory laws, such as those dealing with the inspection of meat and poultry, are primarily concerned with the protection of consumers. Other laws, such as the Agricultural Adjustment Act of 1938, place major emphasis upon protection of farmers against low farm prices. Still others, such as the Perishable Agricultural Commodities Act, are designed mainly to protect those whose business it is to handle and distribute our food supply. Actually, the interest of all three groups -- farmers, food dealers, and consumers -- is involved in each of these laws. If farmers are unable to produce in sufficient quantity because of defective seed, lack of poisons to control insects and other pests, or because of ruinously low farm prices, it is perfectly obvious that the interest of the food "middleman" and the consumer will suffer.

The Department's regulatory programs cover practically all phases of the production and marketing of farm crops and the processing of food

products. We regulate the sale of seed to farmers to plant their crops. The applicable law, the Federal Seed Act, requires that all seed marketed in interstate or foreign commerce be accurately labeled as to variety, percentage of germination, place of origin, etc., to insure the purchasers sound, productive seed for planting. The seed must also be free of noxious weeds, lest the harvest be one of tares rather than grain. Seeds marketed in violation of the Act are subject to seizure. The Secretary also may, after hearing, issue cease and desist orders against those guilty of violating the Act, and severe penalties, both civil and criminal, are provided.

The Department has responsibilities relating to the protection of crops, livestock and humans against insects, rodents, fungi, weeds and other pests under the Federal Insecticide, Fungicide and Rodenticide Act. This Act provides for the regulation of the marketing of so-called economic poisons and pest control devices so that only the safe and effective poisons and devices are obtainable. An "economic poison" is any substance intended as protection against insects, fungi, weeds and other such pests, including also substances used as plant regulators, defoliants, and desiccants (drying agents). All economic poisons to be marketed in interstate or foreign commerce must be registered with the Department, but before registration is granted, they must be shown to be safe and effective and otherwise in compliance with the Act, including proper labeling for the protection of the public. If the poison does not meet the requirements of the Act, the Secretary may refuse to register the product, except under protest. The effect of registration under protest is that if the manufacturer proceeds to market the product and the Department establishes that it fails to meet the requirements of the Act, the manufacturer is subject to severe penalties. Note that the Secretary must register the product under protest and the burden then shifts to him to show

in the courts that it does not meet the requirements of the Act. Meanwhile, the product can be marketed in interstate commerce. We are now trying to get this provision of the law changed.

The Department also regulates the manufacture and marketing of viruses, serums and other antibiotics for animals under the Virus-Serum-Toxin Act; regulates the manufacture, inventories, sale and pricing of anti-hog-cholera serums, viruses and toxins under the Anti-Hog-Cholera Serum and Hog-Cholera Virus Marketing Agreement Act; and protects crops and livestock from diseases and pests under a host of plant and animal quarantine acts. These quarantine laws are administered by our Agricultural Research Service. From time to time they erect a quarantine barrier around a State and won't let any hogs, for example, be carried in or out. The authority of the Secretary in this respect has been litigated and held to be constitutional.

Turn now to laws regulating the processing and marketing of our food supply once it leaves the farm.

The Packers and Stockyards Act, enacted in 1921, is a comprehensive scheme for the economic regulation of a large industry. It was intended to go beyond the Sherman Anti-trust Act, section 2 of the Clayton Act, and section 5 of the Federal Trade Commission Act, all dealing with monopolies and other unfair trade practices. It is divided into three parts: first, regulation of packers and live poultry dealers and handlers; second, regulation of stockyards, market agencies and dealers; and third, regulation of live poultry dealers and handlers at designated markets.

The Packers and Stockyards Act is administered by the Packers and Stockyards Division of the Agricultural Marketing Service. The Packers and

Stockyards Division is one of 17 operating divisions in the AMS, which in turn is one of 17 operating agencies in the USDA. Seventeen times 17 is 289, so you might infer that the Secretary of Agriculture can give 1/289th of his time to this activity -- a little over one working day a year. Let's take a look at the three parts of this activity for which the Secretary is responsible with such time as he can devote to it.

1. Title II of the Act makes it unlawful for any packer or live poultry dealer or handler, with respect to live-stock, meats and meat products, and poultry and poultry products, to engage in certain undesirable trade practices, such as price discrimination among buyers and agreements or arrangements to apportion territory for carrying on business. If the Secretary finds that any packer or live poultry dealer or handler has violated the Act, he may issue a cease and desist order. Such an order is subject to review by the United States Court of Appeals for the district where the respondent resides. Substantial penalties are provided for violation of these orders. These are involved and lengthy proceedings, comparable to those under the anti-trust laws administered by the Federal Trade Commission and the Department of Justice.

2. Title III of the Act makes it unlawful for stock-yards, market agencies and livestock dealers, that is, those marketing livestock, to engage in certain designated unfair trade practices, such as fraudulent accounting in the marketing of livestock. The Secretary is authorized



to undertake three kinds of administrative proceedings: first, he may, if commission or stockyard rates charged are unfair or discriminatory, fix the rates to be charged; second, he may, if he finds that the prohibited practices have been engaged in, issue a cease and desist order and suspend registration; and third, persons who claim they have been damaged by reason of violations of certain sections of the Act may file a complaint with the Department, and if it is found that they have been so damaged, the Secretary may issue an order awarding damages. If such a reparation order is not paid, the person to whom the award was made may bring an action in any Federal or State court. In that event, the trial of the issues involved proceeds as a trial de novo, except that the findings made in the reparation order are deemed to be prima facie evidence.

3. Title V of the Act deals only with live poultry dealers and handlers in designated markets. The Secretary is authorized to designate cities and places in or near cities where he finds that trading in poultry is fraught with unfair, deceptive and fraudulent trade practices. Once so designated, all live poultry dealers and handlers in the area must be licensed and must comply with the provisions of law applicable to licensees. A license may be denied if it is determined that the applicant is unfit for licensing because of previous violations or a lack of financial responsibility. A license may also be



suspended or revoked if the licensee has engaged in practices prohibited by the Act. The Secretary also may issue cease and desist orders against violators and may fix rates to be charged by licensees for handling poultry, if he finds that the rates charged are unfair, unreasonable or discriminatory.

You will note that this statute encompasses all four of the main aspects of administrative regulations: prevention of unfair or discriminatory practices; rate fixing; reparations; and licensing. I know of no other Federal regulatory agency, other than the Interstate Commerce Commission, that is charged with exercising all four of these functions with respect to any industry. The ICC performs its functions with 11 Commissioners and a staff of about 2,400. The Packers and Stockyards Division performs its functions with one Director and a staff of about 180. The Director holds a GS-16 grade in the classified civil service. The ICC has 17 employees, in addition to the Commissioners, who hold a higher grade. The Director of the P & S Division happens to be a lawyer.

To give you some idea of the magnitude of the job -- the stockyards posted under the Act number 2,250; the market agencies and dealers registered number 17,000; and the packers reporting under regulation, 3,300. The annual value of meat marketed is about \$18 billion.

Now, to move on.

The Perishable Agricultural Commodities Act, enacted in 1930, is intended to suppress unfair and fraudulent practices in the marketing of fresh and frozen fruits and vegetables in interstate commerce.

The Act prescribes standards of conduct for sellers, buyers, and brokers in the marketing of fresh and frozen fruits and vegetables in interstate commerce. Such persons are subject to licensing and may legally engage in this business only if they hold a valid and effective license issued by the Secretary of Agriculture. The Act prohibits certain unfair practices, which include: (1) Failure to deliver produce in accordance with a contract; (2) unwarranted rejection of produce; and (3) failure to pay promptly for produce. The Act confers on the Secretary quasi-judicial power to hear and decide disputes between parties to a transaction subject to the Act and to award monetary damages to the injured party. These proceedings are similar to the reparation proceedings under the Packers and Stockyards Act. A reparation award cannot be docketed as a money judgment, but unless it is paid or appealed to a Federal district court within a prescribed time, the license of the party against whom the award was made is automatically suspended until payment is made. This procedure provides a unique and very effective method of collection, since suspension of a license means that the person cannot legally engage in the interstate produce business either as a purchaser, seller, or broker. If a person continues to operate after his license has been suspended, the Act provides for substantial civil penalties for each day of operation and also provides for the issuance of an injunction.

A party against whom a reparation award is made has the right to appeal to a Federal district court. However, he must post a bond of double the amount of the award to insure collection thereof and payment of costs and attorneys' fees in the event the decision of the Secretary is sustained. Upon any such appeal, the appellant is entitled to a trial de novo, except that the findings of fact in the reparation order constitute prima-facie evidence of the facts stated therein.

The Act further provides for disciplinary proceedings instituted by the Department, which are formal adjudication proceedings, for the purpose of revoking or suspending a license. These proceedings are not dependent upon the pendency of a reparation proceeding or the existence of a reparation award, but may be instituted for a variety of reasons based upon violations of the Act by the licensee.

This Perishable Agricultural Commodities Act is administered by another of the 17 operating agencies of AMS, which is also headed by another GS-16 career man. Under this Act, he has 22,500 licensees to look after -- and the retail value of fresh fruits and vegetables marketed in 1962 was \$6.5 billion. In addition, this division has some other functions to keep it busy, as it is responsible for more than 40 marketing orders for fruits and vegetables, and also conducts large-scale purchase operations to remove surplus fruits and vegetables from the market and channel them into school lunches and other food distribution programs of the Department.

It should be understood, of course, that all these administrative units in the Department obtain their legal services from the Office of the General Counsel.

Let's turn now to some regulatory Acts that are based mainly on health considerations rather than economic considerations.

The Poultry Products Inspection Act and the Meat Inspection Act require that all meat, meat food products, and poultry and poultry products processed for shipment in interstate or foreign commerce be processed in official establishments subject to continuous inspection by official inspectors of the USDA as to the health of animals to be handled in the establishment,

the sanitary conditions of the establishment and processing procedures used, including the wholesomeness of the products to be moved from the establishment. No meat or meat food product, or poultry or poultry product, may move in interstate or foreign commerce unless it has been officially inspected and passed for wholesomeness and bears the official inspection mark. In addition, all labeling on such products is required, under the regulations of the Department, to be approved to prevent misrepresentation. Any product found to be unwholesome or adulterated is subject to being condemned by the official inspector and disposed of so as to prevent its use for human consumption.

With respect to poultry and poultry products, the Secretary, upon application of the State or local government officials responsible for insuring the wholesomeness of such products in the area, or upon application of an appropriate local poultry industry group, may designate a major marketing area and, upon such designation, the handling of poultry and poultry products in such area, regardless of whether they move in interstate commerce or not, are subject to the requirements of the Act. This is a novel approach to reconciling the exercise of State and Federal functions in a particular area.

Here again a reference to the volume of business regulated may help to indicate the importance of the function. We have over 3,600 meat inspectors each of whom, on the average, inspects over 30,000 animal carcasses annually as they move through the packing plants. We also have over 1,800 poultry inspectors, each of whom, on the average, inspects over 1 million poultry animals yearly. The big difference per man is because a steer is much bigger than a chicken. In either case, the inspector does not have much time per animal. But if he finds the animal to be unwholesome, he

condemns it on the spot. The packer can obtain a prompt "on the spot" review inspection by a supervising veterinary inspector. You can't keep a freshly-slaughtered steer around very long as an object of litigation.

It was the adulteration provisions of the Meat Inspection Act that gave rise to the most celebrated legal proceeding in my time at the USDA. The basic question involved was how much water a packer could inject into the hind leg of a hog and still sell the whole thing as ham. We finally worked out a solution with the packers that made it possible to put an end to the litigation, but I am afraid some bad law had been made in the meantime.

The Agricultural Marketing Agreement Act of 1937 authorizes a type of regulation which impinges upon the marketing process in a way different from that discussed up to this point. The Act provides for the regulation of milk, and fruits, vegetables, and some other commodities, under marketing orders.

As to milk, the Act authorizes the Secretary to issue orders establishing minimum prices which handlers must pay for milk purchased from producers for a given marketing area. There is no authority to control the amount of milk which a farmer may sell or a handler may buy. Likewise, there is no authority to regulate the quality or grade of milk sold.

The Act directs the Secretary to establish prices for milk which will reflect economic conditions affecting supply and demand, assure an adequate supply of fluid milk, and be in the public interest. These milk orders lend stability to the dairy industry and thereby protect the interest of both farmers and consumers.



We have 83 milk marketing orders in effect throughout the country. More than 185,000 farmers deliver milk to handlers regulated by milk orders, and the population of the areas covered by these orders is about 60 percent of the non-farm population of the continental United States.

These milk orders can be issued only on the basis of evidence presented at a public hearing conducted in accordance with the formal rule-making procedures prescribed by the Administrative Procedure Act. Oddly enough, the hearing examiner who conducts the hearing has nothing to do with formulating or recommending the order. The proposed order is formulated by the Secretary, with the assistance of the AMS and one of its 17 divisions -- this time the Milk Order Division of AMS. The proposal is then submitted to a vote by the farmers affected and becomes effective only if approved by two-thirds of them. As you will note, a peculiar feature of the law here is that the parties regulated, that is, the handlers of milk, are not the ones who determine whether they shall be regulated -- the farmers do that.

Any handler subject to a milk order may, after the order becomes effective, contest the legality of it, or any action thereunder, by administrative proceedings, with the further right to judicial review of the decision in the administrative proceeding.

The authority of this Act with respect to fruits, vegetables, and other commodities provides for the regulation of volume, grade, size and quality of the commodity, with authority to establish surplus "pools" for the purpose of diverting surpluses from normal marketing channels. There is no authority to fix minimum prices as in the case of milk. Otherwise, the same provisions of law which apply to milk orders also apply to these orders.



The provisions of the order are formulated without the advice of the examiner who conducts the hearing and are put into effect by vote of the farmers who are not regulated rather than by vote of the handlers who are. There are 45 such orders in effect, covering production areas in 27 States.

Moving on, we come to the Sugar Act, which among regulatory statutes is simply the "most" and the regulated industry loves it--in general, at least, if not in every particular.

This Act provides a regulatory program designed to assure an adequate supply of sugar at prices fair to both producers and consumers. This country has never produced enough sugar to meet our requirements. We produce in the States, and in Puerto Rico and the Virgin Islands, approximately two-thirds of our total requirements. The balance is imported from foreign countries.

Since the early days of the Republic, it has been considered necessary to protect the domestic producers of sugar from foreign competition. Most of the exporting countries of the world can produce sugar cheaper than we can in the United States, primarily because of lower labor costs. Historically, the protection to the domestic sugar industry has taken the form of a tariff on imported sugar. Eventually, however, the tariff proved to be ineffective, and the Congress in 1934 passed an Act establishing a quota system to control the marketings of sugar and a payment program to protect the income of growers of sugarcane and sugar beets.

Each year in December, the Secretary of Agriculture estimates our total sugar requirements for the next calendar year. The quantity of sugar so estimated is divided among domestic areas and foreign countries in the form of quotas. The quota thus established for each area or country

represents the quantity of sugar which the area or country may market in the continental United States during the calendar year.

The Secretary of Agriculture also is authorized to allot the sugar quota for any area among those who market or import sugar within the area quota. There is no authority in the Act to allot or "ration" sugar to consumers. The purpose of the allotment procedure is to assure that the area quota will be marketed in an orderly and efficient manner and so as to provide each processor or other marketer a fair share of the area quota. The allotments are established by the Secretary under standards prescribed in the Act and on the basis of evidence adduced at a public hearing. Any allottee aggrieved by the action of the Secretary may obtain judicial review of the allotment by the timely filing of a petition for review in the United States Court of Appeals.

In addition to the regulation of sugar marketings, the Sugar Act also authorizes payments to domestic growers of sugar beets and sugarcane who: (1) limit their marketings to the production from the farm acreage allotment; (2) pay wages to farm labor at rates which the Secretary determines to be fair and reasonable; (3) pay prices for sugar beets and sugarcane purchased from other growers (applicable to certain processors of sugar beets and sugarcane) at rates which the Secretary determines to be fair and reasonable; and (4) refrain from the farm employment of child labor as defined in the Act.

In summary, the Secretary is authorized to establish acreage allotments for sugar beets and sugarcane, to fix the wages the beet and cane growers pay their farm labor, to fix the price the processor pays the farmers for beets or cane, and to fix quotas for sales of sugar by processors, refiners, or importers. It is the Secretary's duty to try to regulate

the price of sugar in the United States by fixing and adjusting quotas to achieve a proper balance between supply and demand. This is more of an economic exercise than a legal one, but it still has its moments.

Another of the Department's regulatory programs is somewhat comparable to the activities of the SEC -- namely, the regulation of futures trading and cash transactions in many commodities on the commodity exchanges. Transactions in futures contracts subject to this regulation totaled over 10 million in fiscal 1963, and the value of such futures contracts totaled over \$45 billion. In soybeans, for example, over 8 billion bushels of futures contracts were traded, and in wheat over 5 billion bushels.

For the regulated commodities, the Commodity Exchange Act prohibits dealing in futures except through commodity exchanges designated by the Secretary of Agriculture as contract markets, and requires the registration of commission merchants and floor brokers who operate on these exchanges. The Act imposes certain specific duties upon the exchanges and upon the registered merchants and brokers. The Act also prohibits certain unfair trade practices, such as manipulation of prices and "cornering" the market.

The Commodity Exchange Commission, created by the Act and composed of the Secretary of Agriculture, the Secretary of Commerce and the Attorney General, is given primary responsibility over the commodity exchanges themselves. The Commission may, among other things, establish volume limits for trading in futures, suspend or revoke the designation of an exchange as a contract market, issue cease and desist orders against exchanges and their officers for violating the Act, and review any refusal by the Secretary of Agriculture to designate an exchange as a contract market. The Secretary of Agriculture, on the other hand, has primary responsibility for the designation of the

commodity exchanges as contract markets, the registration of commission merchants and floor brokers who operate on the exchanges, the suspension or revocation of registrations and denial of the privilege of trading on a contract market for violation of the Act, and the establishment of periods for the delivery of commodities after cessation of trading in such commodity. The administrative proceedings under the Commodity Exchange Act involve unique subject matter and are exceedingly complicated, as you might suspect, where someone attempts to manipulate prices or to "corner" a commodity. As in the case of proceedings under the Packers and Stockyards Act, the proceedings under this Act also present problems comparable to those presented in anti-trust litigation.

The Department also has responsibilities in regard to the warehousing and transportation of agricultural commodities. Thus, under the United States Warehouse Act, the Department issues licenses to warehouses for the storage of commodities intended for shipment in interstate and foreign commerce. The Secretary is also required to take a number of other actions, including the establishment of reasonable rates, intended for the protection of those who store products in the warehouses and to insure the integrity of warehouse receipts issued by the licensees.

As to transportation, the Secretary is directed by law to assist in improving transportation services and facilities and in obtaining reasonable transportation rates and services by participation in proceedings before the Interstate Commerce Commission, the Maritime Commission, the Civil Aeronautics Board, or any other Federal or State regulatory body dealing with transportation rates, charges and services. The Department participates in about 50 transportation proceedings each year before various regulatory agencies and



usually in several court cases reviewing the orders of such regulatory agencies. Our responsibilities in this respect sometimes places the Department in court cases on the opposite side of the case from other Federal agencies, such as the Interstate Commerce Commission and the Department of Justice. I was somewhat startled the other day to pick up a paper and see that the Secretary of Agriculture was suing the United States. This was one of these transportation cases, and I believe we finally got the Department of Justice on our side, so I guess the Attorney General also is suing the United States.

These are but a few of the more important laws administered by the Department which regulate persons who handle, process and market our food supply as distinguished from the producers of the raw products. You will note that the Department also regulates, to some extent, those engaged in the business of furnishing farmers with supplies such as seed and insecticides, which they must have to produce this food. Although the regulatory programs of the Department deal primarily with those who handle food and farm supplies, they are not limited to the business concerns. We also have important adjustment programs which apply to farmers, and I want to comment briefly on this type of regulation. I suspect you hear more about these programs than others of which I have spoken.

The Agricultural Adjustment Act of 1938 authorizes farm acreage allotments and marketing quotas for tobacco, cotton, wheat, rice and peanuts. Under the statutory scheme, when quotas are in effect, there is assigned to each farm a quantity of the commodity which may be marketed by producers thereof free of penalty. Marketings in excess of the farm quota are subject to a civil penalty of a specified amount per pound or bushel of the excess marketed.

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USDA 4182-63

The purpose of the law is to hold marketings of these commodities in line with requirements, including adequate reserves, and thereby stabilize prices and protect farm income. Unlike the controls which apply to business concerns under other laws administered by the Department, controls apply to farmers under the Agricultural Adjustment Act of 1938 only if approved by two-thirds of those voting in a referendum. Thus, farmers have a choice as to whether they will impose these controls upon themselves. Doubtless you remember that wheat growers, voting in a much-publicized referendum held last June, decided that they did not choose to be subject to marketing controls on the 1964 wheat crop.

These programs are administered at the local level through a county committee of farmers in each county elected by the farmers in the county. Thus, the allotments and quotas are established by the county committee of the county in which the farm is situated, and each farmer is notified by the committee prior to planting of the acreage allotment and marketing quota established for his farm.

In order to comply with the requirements of due process, the statute provides for judicial review of farm allotments and quotas. The Congress recognized, however, that under a program of this magnitude and complexity, it would be impractical to permit every dissatisfied farmer to appeal direct to the courts or, for that matter, to the Secretary himself. Thus, the statute provides for administrative review of allotments and quotas before judicial review is authorized. The administrative review under this law differs from other administrative proceedings to an extent worthy of some further comment.

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USDA 4182-63



The Act provides that any farmer who is dissatisfied with his farm acreage allotment and marketing quota may have them reviewed by a local farmer review committee. This review committee is composed of three farmers from the same or nearby counties, appointed by the Secretary. Because of their familiarity with the programs, the members of review committees are generally chosen from members of county committees in the counties comprising the area of venue served by the review committee.

The provisions of the Administrative Procedure Act, regarding the use of a hearing examiner, do not apply to these review proceedings since the Act itself provides specifically that the administrative review shall be before a review committee appointed under that Act. The hearing before the review committee is a de novo proceeding. It is open to the public and is conducted in a fair and impartial manner and in such a way as to afford the applicant, members of the county committee which established the farm acreage allotment and marketing quota, and appropriate officials and agents of the Department of Agriculture, reasonable opportunity to give and produce evidence relevant to the allotment and quota under review. Interested parties may submit oral testimony, documentary evidence and rebuttal evidence and may conduct such cross-examination as may be required for a full and true disclosure of the facts. All this is done in a hearing conducted by farmers and not by lawyers.

Any farmer who is dissatisfied with the decision of the review committee may obtain judicial review of the committee's decision. However, if the Secretary of Agriculture is dissatisfied with the decision of a review committee, he has no right of appeal and is stuck with the committee's decision.

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USDA 4182-63

The number of proceedings before farmer review committees runs into the thousands in some years. For example, there were about 27,000 wheat allotments appealed to review committees in 1959. Since there were approximately 1,800,000 wheat allotments established that year, you can see that the percentage appealed was rather small. As you might guess, only a fraction of a percent of these cases reached the courts.

As lawyers, you can see how deeply involved we are in administrative law. I would like to say a final word about the conduct of the many hearings which are held under these laws and make some mention of the Judicial Officer of our Department.

In formal adjudications, such as the disciplinary proceedings referred to earlier, and formal rule-making, such as marketing orders under the Agricultural Marketing Agreement Act of 1937, where the actions and decisions must be based upon a hearing record and are subject to sections 7 and 8 of the Administrative Procedure Act, the hearings are presided over by hearing examiners appointed under the Administrative Procedure Act. These examiners are in the Office of Hearing Examiners attached directly to the Office of the Secretary and are divorced from all other activities of the Department.

In formal adjudications the examiner presides at the hearing, rules on all motions, and after the close of the hearing prepares a recommended decision, including recommended findings of fact, conclusions of law, and a form of order to be issued. The parties to the proceeding have an opportunity to file exceptions to the examiner's recommended decision and briefs in support thereof and be heard in oral argument thereon before the Judicial Officer of the Department who makes the final decision which is reviewable by the courts.

In formal rule-making proceedings, the examiner presides at the hearing, executes a certificate as to the accuracy of the record thereof, but performs no further function with respect to the issuance of the rule. In such proceedings, a recommended decision is issued by the delegatee of the Secretary of Agriculture, usually an Assistant Secretary. Interested persons are afforded an opportunity to file exceptions and briefs, and after consideration thereof the final decision is issued by the Secretary or his delegatee and published in the Federal Register.

In most formal adjudication proceedings, the attorneys from the Office of the General Counsel perform functions comparable to those of a prosecuting attorney, handling all pleadings, the trial of the case at the hearing, and briefing and oral argument at the close of the hearing, as well as briefing on judicial review. In formal rule-making proceedings, the Department attorney's function is that of representing the Department through the introduction of evidence and the examination of witnesses for the purpose of insuring a clear and adequate record upon which an informed judgment can be made with respect to the issuance of the proposed rule. In the reparation proceedings, which are not subject to the requirements as to use of Examiners, the attorneys of the General Counsel's Office perform the functions that Examiners perform in disciplinary proceedings.

The Judicial Officer of the Department is appointed by the Secretary of Agriculture and is a member of the Secretary's immediate staff. His responsibility is to act as the Secretary's alter-ego in making final decisions in formal adjudications under most of the regulatory laws which we administer. This office was established primarily for two reasons. First, the Morgan cases, mentioned earlier, brought home to the Department years ago the need of relieving the Secretary of the burden of making decisions in cases of formal adjudication.

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USDA 4182-63

The Secretary simply did not have the time to consider the record in these cases in the manner in which the Supreme Court said was necessary to meet the requirements of due process. Accordingly, the Congress passed in 1940 what was known as the Schwellenbach Act, which created the Office of Judicial Officer. Second, the office was created also to divorce completely the decision function in adjudications from the investigative, enforcement and policy-making activities of the Department. As you know, this separation of the decision function in cases of this sort from the investigative, enforcement and policy-making functions is a much discussed problem today, particularly in relation to regulatory boards and commissions. There have been several bills introduced in the Congress dealing with this problem.

This has been a rather sketchy indication of the regulatory activities of the Department of Agriculture. I do not have time to discuss our accomplishments under this network of laws, but I do hope I have been able to show you the broad scope and enormous complexity of this portion of the Department's work. It is an important part of our overall job of seeing that the American public gets a plentiful supply of pure and wholesome food and that farmers who produce this food obtain a fair level of income.

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ATTACKING RURAL POVERTY

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2 Plant to Prosper meetings for more than a quarter of a century. No harvest season would be complete for these folks and for thousands of others throughout the Mid-South without this occasion -- this day of paying tribute to men and women who have used their heads and their hands to farm a little better, live a little better, this year than last.

You have seen momentous changes take place in agriculture and in our rural economy since Plant to Prosper began.

You have seen the trials and tribulations of the 30's, the years of the great depression. Anyone who lived through those days will never forget them. Poverty was general then; we were all caught up in it.

You have seen the tremendous demands that World War II placed on the American farmer. And I still thrill at the way our farmers rose to meet that challenge. Thank God they had the resources, the land and equipment, the skill and the spirit that free men bring forth when their way of life is threatened.

Then after the War, you saw the rebuilding years of the late 40's -- UNRRA -- the Marshall Plan -- the indispensable role of American agriculture in making the world whole after the most devastating struggle in history. You have seen how our marvellously productive and efficient system of agriculture makes it possible for the United States to be the leader of the free world -- and how we are sharing the fruits of our abundance with the people of other lands through the Food for Peace program.

Address by Under Secretary of Agriculture Charles S. Murphy at the Plant to Prosper Luncheon at noon (CST), at the Claridge Hotel in Memphis, Tennessee, Friday, December 13, 1963.



You and I have seen many awe-inspiring events take place in the past three decades. We have watched a technological revolution, spurred first by the war effort and then by many other factors, turn American agriculture upside down and inside out.

Through all this turmoil, your Plant to Prosper concept -- your idea of showing thousands the path to progress by calling attention to those who found the way -- has been a constructive, moving force. You have helped great numbers of our people make the greatest possible contribution and get the greatest possible reward from the roles they were cast to play in this ever-changing drama of rural America.

This drama has not been by any means an unbroken success story. It has its bright side. We have fed ourselves and a large part of the world around us. But life on the farm is not a bed of roses. It is a constant battle challenging the energy and determination, the skill and courage, of men and women, day in and day out, year after year.

Unfortunately, the farmer has benefited relatively little from the increased efficiency of American agriculture. Most of the rewards have been passed along to others in the form of relatively lower prices.

A few stark figures attest the intensity of the continuing struggle of many of our farm people for their fair share of our national wealth.

Sixteen years ago, in 1947, the net income of farmers was \$17.3 billion. In 1960, it was \$11.7 billion. Meantime, the total national income went up from about \$200 billion to \$415 billion. In other words, while the total national income was doubling, net income from farming was going down over 30 percent.



Farmers received less than one-third as large a share of the national income in 1960 as they did in 1947.

We have managed to achieve some improvement since 1960. The net farm income in 1962 was about \$900 million above 1960.

But we don't have the problem licked.

For one thing, we are chasing constantly spiraling farm costs. In 1961, we raised gross farm income by \$1.6 billion, but increased farm costs ate up half of that. In 1962, we raised gross farm income still another \$1.3 billion, but increased farm costs ate up almost all of that. This year, farm costs will eat up more than the gain in gross income.

Why is this? It's because of the basic nature of farming economics.

Farmers still have trouble getting the price they should obtain for the products they sell. But they can't duck the bills they receive for the machines and equipment and other production resources they have to buy.

It has often been said that farming is the only business in the world that buys everything at retail and sells everything at wholesale. There is far too much truth in that.

Farmers are plagued, too, by the fact that they have not been able to take advantage of the new techniques and still temper and time their output to the demands of the market. Most other producers have been able to make the adjustments essential to increasing both the volume of their business and the size of their income. Farmers still struggle with supply management problems.

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The harsh economics of American agriculture have not been without benefit to the Nation as a whole. In no other country does the consumer eat for less than 19 percent of the average family's spendable income, or have so nutritious and diversified a diet. Khrushchev, for one, would dearly love to be able to duplicate the power of our agricultural system. But while we take justifiable pride in our tremendous capacity to make two blades of grass grow where only one grew before, we struggle for ways to give rural people who produce the food the same share of American prosperity that has been obtained by urban consumers.

The cold hard fact of the matter is our farmers have not fared as well as those who work in the other sectors of our economy. Our farmers have not yet realized the full promise of America.

Parallel to -- and often part and parcel of -- the struggle of farmers for parity income is the struggle for existence of so many of our rural communities. Many of the people who live in the country and in small towns who are not farmers have been by-passed by the rising tide of prosperity.

It is not a pleasant fact to face -- but the bitter truth is that nearly half of the poverty in the United States exists in rural areas. This fact should govern our thinking and planning concerning remedial measures. But this is not always the case. The spotlight of the metropolitan press is focused constantly on urban slums and urban poverty; their rural counterparts are taken for granted and overlooked. Government agencies often appear to fall into the same pattern of thinking.

Following are a few of the pertinent statistics:

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The percentage of rural families with incomes below the poverty line is almost twice as large as the percentage of urban families.

Over 12 million rural people live under conditions of dire poverty measured by any reasonable standard.

When underemployment is added to unemployment, nearly 20 percent of the rural adult male labor force is idle (1959 figures). The idleness is about half farm and half nonfarm.

One-fifth of the million children born in rural America each year are born into poverty-ridden families.

Three-quarters of the families and individuals employed as farm laborers have total annual incomes below nationally accepted standards of adequacy.

Rural America has almost three times the proportion of dilapidated and substandard houses as urban America.

The average rural citizen has 1.4 years less of education than his urban counterpart.

Only 30 percent of rural young people go to college, compared to 50 percent of urban youth. In many rural communities, the high school graduate is still the exception rather than the rule.

Scores of rural communities, and whole counties, are composed predominantly of low-income people, who simply lack the resources for providing adequate schools or other public services. Of those counties with the lowest

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median family incomes and the lowest rate of increase in incomes, 91 percent have no population center as large as 5,000 persons.

As out-migration continues, rural public meeting places are abandoned. Social services taken for granted in urban communities are not provided in small towns, or rural areas.

Rural children received one-third less medical service than those in and near cities in 1957-58.

The mortality rate of children 5 to 14 is 50 percent higher in rural than urban areas and 100 percent higher for ages 14 to 24.

Forty-four percent of rural handicapped children are out of school compared to 31.5 percent of urban.

Rural mental health clinics served only 2 percent of the children served by such clinics in the Nation.

This is not a pretty picture to paint. But we have to face up to it. We can't solve the problem unless we recognize that it exists. You can't just sweep things like this under the rug and forget them.

Facing the reality of rural poverty and moving to do something about it is the challenge before us today. It is the challenge before the Commercial Appeal and other great newspapers, the challenge before local leaders and rural communities, before local and State governments, before the Extension Service and the Farmers Home Administration and all the agencies who are dedicated to the welfare of rural people.

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We believe we have made major progress in the past three years in getting the skeleton of rural poverty of of the closet, and in opening up a major offensive against this evil. But we have a long way to go, and we need the help of every rural leader.

This is an age-old fight, and it will not be won in a day. But it will not be won at all unless we take some far-reaching measures.

The attack on poverty and the conservation of human resources in rural America calls for actions on two fronts:

1. The maintenance of a production-price pattern for agriculture that will provide parity of income for the adequate and efficient family farm.

2. Programs designed specifically to develop alternative sources of rural income and to wipe out pockets of rural poverty which the commodity price structure alone cannot remedy.

Actions in these two areas complement one another. Better farm income is reflected in greater employment opportunity in construction, and retail and personal service fields, as well as in increased utilization of professional services.

Let there be no mistake about it. Agriculture is still the backbone of the rural economy -- as it is, indeed, the bedrock of the economy of the whole Nation. Nevertheless, the fact remains that only about one-fourth of the people who live in rural areas live on farms. Not only must we see to it that those engaged in farming have an opportunity to make a decent living; the other three-fourths of our rural people must have a similar opportunity.

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The problem is accentuated by the fact that the number of people who can make a decent living farming will continue to grow smaller. This is the inevitable result of the increasing efficiency and productivity of the American farmer. Fewer and fewer farmers will be able to produce all the food and fiber we can use. We estimate that of the boys growing up on American farms today, only one in 10 will have the opportunity to make a living as the operator of an adequate family farm when he grows up.

Many people are moving away from our farms. During the 1950's, more than half of America's 3,000 counties lost population, and most of these were rural. This trend will probably continue, but to the extent that it can be slowed by developing economic opportunity in rural areas, both the countryside and the city will benefit. The depopulation of rural America destroys both social values and property values. At the same time, many of the social and economic problems of cities have arisen from the in-migration of rural people who were ill-prepared for city life and whom the cities were ill-prepared to receive.

Transferring a low-income family from a rural slum to an urban slum solves very little, either for this generation or the next. In fact, there is a tragic similarity between the unemployment problem in the cities and the underemployment of people in rural areas. To a great extent, both problems represent a triumph of the machine and a failure of man who made the machine.

Former President Truman in noting this recently urged the American people not to dismiss the unemployed in both city and countryside as simply "unfortunate casualties of the industrial age", nor abandon them "to life of tragic idleness, for which they are in no way responsible."

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Something like 8 million jobs beyond those now in prospect are needed in this decade to absorb the young people coming of working age and the present unemployed and under-employed. To the extent that these jobs can be created in rural areas, social and economic adjustments will be easier and dislocations minimized. Problems arising from urban congestion and from rural depopulation alike will be alleviated. There is every reason, therefore, why the attack on rural poverty must emphasize rural development as a preferable alternative to mass relocation -- recognizing, of course, that some relocation will inevitably take place.

This is the approach taken by the USDA. During the past three years there has been a major reorientation of the Department's activities to focus them more effectively on rural economic development. The job that needs to be done is so big, we can claim only that we have made a good beginning. But we are sure we are headed in the right direction.

Time will not permit me to tell you all the things we have done and are doing. But by way of illustration, I would like to mention some of the measures that have been taken to refurbish and rearm one of the Department's agencies which is an old friend of the Plant to Prosper campaign -- the Farmers Home Administration.

Much of what I have to say about the Farmers Home Administration could also be said about our other agencies engaged in rural areas development -- Extension, Rural Electrification Administration, Soil Conservation Service, Agricultural Stabilization and Conservation Service, Economic Research Service, the Forest Service, and others.

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In 1961, recognizing that within the framework of the Farmers Home Administration lay one of the most powerful tools for rural areas development, we moved to strengthen its endeavors.

We sought and obtained legislation that broadened its activities in a dozen different areas.

We moved to place men in charge of its operations who were sympathetic to the problems of rural people.

Howard Bertsch was appointed Administrator. He had a long history of helping rural people both as a director of the old Farm Security Administration and as a Ford Foundation director in Iran.

State directors were appointed who believed in their program and would work at it with enthusiasm -- men like "Dutch" Cavender in Tennessee, Herman Hankins in Arkansas, "Ben" Fatherree in Mississippi, and Everett Jose in Missouri.

With new leadership and new direction, new authorities and new funds, the Farmers Home Administration took on new life.

In 1960, the Farmers Home Administration in the four states of Mississippi, Tennessee, Missouri and Arkansas loaned \$46 million, in 1963 they loaned \$121 million. These figures, especially to an audience that knows the Farmers Home Administration, speak for themselves.

Every dollar that the Farmers Home Administration invests in a farm or rural community makes an impact far greater than its initial value.

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Every family that is strengthened by the Farmers Home Administration adds immeasurably to the strength of the community around them.

The Farmers Home Administration is now able to help meet a broad range of rural needs.

The Farmers Home Administration can help farmers handicapped by age and lack of skills make a living on the land. The FHA had been shut off from helping this group.

The Farmers Home Administration can now make loans to families who live in small towns, as well as to farmers, for the construction of decent, safe and sanitary housing. The FHA can also finance housing adapted to the needs of the elderly.

What has really happened is that in the past three years we have gotten underway in rural areas a housing program of the type that urban areas have been enjoying for a long, long time.

The Farmers Home Administration can finance the development of rural water systems in rural communities. This has turned out to be one of the most successful ventures in rural areas development.

The Farmers Home Administration can finance the development of fishing, hunting, and other outdoor recreational facilities. This not only provides added income for rural people, makes multiple use of our land resources, and takes land out of crop production, but it also gives urban people the outlet they are seeking for recreation.

I could go on enumerating the changes in direction that have taken place in all our agencies to help stimulate economic development in rural communities.

We have been heartened by the response to our efforts.

There is no question about the interest that exists in rural areas. Rural people want to survive. Given just a little encouragement they are eager to use their own resources and to reach out for the resources they need.

Example: In nearby Tennessee within the past two years, the community of Yorkville has set aside an industrial site and is lining up industry, the bank has launched an extensive modernization program, a doctor's center has been built, a rural water system has been constructed with the help of the Farmers Home Administration, a rural telephone system has been expanded with the help of the Rural Electrification Administration.

Example: In Bolivar County, Mississippi, a group of farmers and their neighbors are building a recreation center. A 500-acre lake will be used for fishing and will be surrounded by picnicking and camping sites. With development funds from the Farmers Home Administration, they are not only increasing the attractiveness of their community but are removing some 100 acres from cotton, soybeans and rice.

Example: Looking ahead to the time when funds will be available to local public bodies in rural communities for broad-scale development efforts, the Arkansas legislature, at the request of leaders from rural areas, has recently authorized the creation of rural development corporations.

Example: In Hickory County, Missouri, rural people are moving to make the development and maintenance of recreation plus retirement facilities a dominant industry. A building boom is in full force around a recently created

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man-made lake. Some 70 subdivisions have been laid out. The services of the Missouri Extension Service, REA, SCS, FHA and many other agencies have been tapped by local leaders.

But truly, these achievements, notable as they are, have just scratched the surface in opening up new avenues to rural prosperity and to greater opportunities for all our farm and rural people.

The job is stupendous, but the possibilities and rewards are infinite.

The accomplishments and the inspiration brought about by the Plant to Prosper campaign are living examples of what the right kind of motivation can do.

With all of us working together, you who represent the ones in the forefront of mid-South development, and countless others throughout this broad land who know and appreciate the importance of rural America, there is no limit to what we can achieve.

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Feb. 11, 1964

Statement by Charles S. Murphy, Under Secretary  
of Agriculture, on Cotton Legislation Before the  
Senate Committee on Agriculture and Forestry  
February 11, 1964

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Mr. Chairman and Members of the Committee:

I testified before this Committee on cotton legislation last May. Also, the Committee has heard testimony from many other witnesses concerning the problems of the cotton industry and the need for new legislation. Therefore, I will not dwell at length upon those aspects of the matter.

There is one important new development I wish to emphasize -- that is the phenomenal increase in yields per acre. The average yield in 1963 was 524 pounds per acre, compared with the highest previous yield of 466 pounds in 1958. As a result, the carryover will increase about 2 million bales from the 1963 crop, although the acreage allotment was at the statutory minimum of 16 million acres. Although the acreage allotment in 1963 was  $2\frac{1}{2}$  million acres less than in 1961, we produced a million bales more cotton.

It should be noted that the 2 million bale increase in carry-over will account for more than \$300 million of expenditures under the cotton program in this fiscal year -- bringing the total expenditures for the program this year to nearly \$800 million.

All this means that we must readjust our thinking as to cotton legislation. We can no longer expect that lower prices alone for domestically consumed cotton would increase consumption enough for

total offtake to equal the cotton that would be produced on the allotted acreage under existing law. Lower prices will help, but even "one-price cotton" would not do the whole job. Additional steps must be taken to bring the surplus under control.

Therefore, we need cotton legislation which will meet five objectives:

1. Eliminate the inequity of the two-price system under which domestic mills must pay substantially more for cotton than their foreign competitors.
2. Enable cotton to meet the price competition of synthetic fibers, thereby increasing the long range market for cotton.
3. Reduce Government expenditures for the cotton program.
4. Reduce excessive stocks of cotton.
5. Maintain cotton producer income.

This is a very difficult combination, and the development of legislation to meet all these objectives is not easy.

H. R. 6196 as passed by the House of Representatives meets some of the objectives but not all of them. A group of cotton producers has now recommended a proposal for amending H. R. 6196 in a way which appears to us would make it achieve all these objectives. The substance of their proposal is set forth in the following excerpts from their letter to the Chairman of this Committee:

"The Producers Committee proposes specifically that H. R. 6196 be modified to include authority for a domestic allotment-choice program that would be applicable to the 1964, 1965, 1966 and 1967 crops. This would provide for a voluntary domestic acreage allotment within the present national acreage allotment. Small growers having allotments of 10 acres or less would receive special protection. The domestic acreage allotment would reflect estimated domestic consumption and would be about two-thirds of the effective farm allotments established under current legislation and under H. R. 6196.

"Producers who choose to plant within this domestic allotment would receive a higher rate of price support not in excess of 15 per cent above the basic support rate on the normal production of the acreage planted to cotton. The higher support would be effected through the use of accumulated Commodity Credit Corporation stocks.

"Producers who plant on the basis of a domestic allotment would maintain their farm acreage history as under present law. To protect the income of small growers, the domestic allotment for small cotton farms should be established as the smaller of 10 acres or the basic allotment: thus, small producers will receive the higher support without reduction in acres."

\* \* \*

"The basic level of price support would be 30 cents in 1964 for Middling Inch, and would be implemented as at present. In future

years, the level of price support would be adjusted upward or downward from the preceding year in relation to changes in costs of production.

"The Producers Committee urges full equalization of the costs of cotton to domestic and foreign mills at the earliest possible date."

\* \* \*

"Full equalization may have to be attained in two stages. Beginning with the date of enactment of such legislation, we suggest that the Secretary of Agriculture be authorized to make payments-in-kind to persons other than producers at a rate he determines. Beginning August 1 of the first crop year for which the domestic allotment-choice program is in effect, such payments-in-kind should be in an amount that would make American cotton available to American mills at the same price that it is made available for export to foreign mills. With a basic price support rate of 30 cents, a consumption increase or trade incentive payment-in-kind at a level of 6 1/2 cents would make an effective mill and export price of 23 1/2 cents per pound.

"The type of program we recommend should increase the total use of cotton and reduce Commodity Credit Corporation stocks to the extent that the Secretary of Agriculture could be authorized to make a small, pilot-scale export market acreage option available to producers if the production from such acreage would not add to domestic stocks. Cotton produced on such export acreage would be sold in world markets without substitution for domestic use, and would be ineligible for price support. It would necessarily be exported without cost to the



Government. It would earn needed dollars abroad. Export acreage would not count for purposes of establishing future State, county, and farm cotton allotments."

\* \* \*

"Current provisions of law applicable to cotton allotment acreage release and reapportionment would not be changed.

"Marketing quotas and a grower referendum would be continued."

\* \* \*

The USDA has studied this proposal and made estimates of the results that might be achieved under H.R. 6196 if it were so amended. It appears to us that it could achieve the following with respect to the five objectives outlined above:

1. It would eliminate the inequity of the two-price system.
2. It would enable cotton to compete more effectively with other fibers, by reducing the price of cotton to domestic mills.
3. It would reduce Government expenditures. The extent of the reductions are indicated by the following estimates:

	Expenditure Fiscal 1964 (Million Dollars)	Expenditure Fiscal 1965 (Million Dollars)	
Present law	790	566	Change from existing law
H.R. 6196 with Jones Amendment	--	614	+ 48
H.R. 6196 without Jones Amendment	--	696	+ 130
H.R. 6196 with producer choice plan	--	406	- 160

4. The proposal would reduce surplus cotton stocks, as indicated by the following estimates:

	Changes in CCC Stocks		
	1964-65	1965-66	1966-67
Present law	+ 700,000	+ 1,100,000	+ 1,500,000
H. R. 6196 with Jones Amendment	+ 100,000	+ 500,000	+ 900,000
H. R. 6196 without Jones Amendment	- 300,000	+ 100,000	+ 500,000
H. R. 6196 with producer choice	- 2,400,000	- 1,500,000	- 1,500,000

5. Producer income would be maintained -- not as well as we would like -- but as well as possible under any plan which is workable and supportable. Gross receipts from cotton would fall below 1963 levels, but 1963 levels include the value of 2 million bales which went into building up already excessive stocks. We obviously cannot afford to maintain income by continuing further buildups in the surplus.

Therefore, it seems to us that the best way to maintain producer income is by voluntary incentives to plant within a domestic allotment.

Although gross producer income from cotton under H. R. 6196 with the domestic allotment choice would be lower than under the bill as it passed the House, net producer income from cotton would be somewhat more. In addition, producers would receive substantial income from alternative uses of acreage which would otherwise be devoted to the production of cotton, such as production of soybeans for which additional acreage is needed. Taking all these factors into account,

there would be a substantial increase in the total net income of cotton producers.

This proposal would not interfere with the operation of the release and reapportionment system. At the same time, it would accomplish the necessary reduction in surplus stocks. This makes it unnecessary, therefore, to give further consideration to an acreage diversion plan for the 1964 crop.

I would also emphasize that we cannot support what the producer group refers to as "full equalization" until the domestic-allotment choice program takes effect. This is due to budget stringencies and the need for offsetting reductions in expenditures to meet the cost of the equalization payments.

We see no need for this legislation to fix the support price level in specific terms. Also, if changes in support prices are to be made in relation to changes in costs of production, we feel that the Secretary should continue to be authorized to take other factors into account as well, and that the Congress should indicate the extent to which changes in land values should be taken into account in determining changes in costs of production. Unless the Congress gives a clear indication to the contrary, it would be our purpose to include changes in land values.

In summary, it appears to us that the best practical prospect for legislation to meet the needs of the present situation in cotton is H. R. 6196, amended as proposed by the producer group. This proposal appears to have broad support. The basic bill has already passed the House of Representatives. If amended as now proposed, it will move toward achieving the objectives we regard as essential. On that basis, we recommend the amendment of H. R. 6196 along the lines the producer group has recommended. We also strongly urge the enactment of legislation in time to apply to the 1964 cotton crop.



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AGRICULTURAL PROGRAMS IN FORESTRY

By

Charles S. Murphy

Under Secretary of Agriculture

At

Department of Defense Forestry Management Conference

Marine Corps Schools, Quantico, Va., May 18, 1964

8:30 A. M. (EDT)

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This is a historic occasion, I understand that this forestry management conference has received full Department of Defense support and I salute your leadership in bringing all of us together. It is an honor to be here and take part.

While the Department of Defense has special problems because the military mission is the priority use of the land you manage, all of us with land management responsibilities have much in common.

It is my role to tell you about the forestry responsibilities of the United States Department of Agriculture. You will see as I go along that it is not a simple task. These responsibilities and programs are far-reaching and complex.

We are glad to be able to cooperate with you in carrying on this work. All of us know that our Departments have cooperated for years in many activities and programs. This meeting today is further evidence of the vitality and continuity of that cooperation.

A little over a year ago--on March 27, 1963--Secretaries McNamara and Freeman signed a Memorandum of Understanding covering the conservation of forests, vegetative cover, soil, and water, on lands administered by the Department of Defense. This memorandum provides for continuing the traditional spirit of cooperation the two Departments have long demonstrated. It also provides that the

Department of Agriculture will assist the Department of Defense in its application of conservation measures to the land it administers, and that the Department of Defense will reciprocate by giving assistance and advice where needed by the Department of Agriculture.

As he signed the memorandum, Secretary McNamara is reported as saying:

"I recognize . . . our solemn responsibility to exercise good stewardship over our lands and the necessity for close cooperation with Federal, State and local conservation organizations. Natural resources are not only vital to the welfare of the American people but their conservation and wise use is an important part of our National security."

What Secretary McNamara said about the responsibilities of natural resources stewardship applies equally to all our Nation's lands --not just those in military installations, or in the National Forests.

We in our Department understand the priority the Department of Defense must give to its military mission in its land management decisions. We realize that were there to be a conflict between the use of a piece of land for essential military maneuvers and the growing of trees, the decision would be made in favor of maneuvers--provided, of course, that other suitable land less valuable for growing trees cannot be found.

We understand this because philosophically it is akin to the concept of multiple use--a philosophy which has guided the administration of the National Forests for more than half a century.



By multiple use of land we mean the combination of compatible uses suited to a particular piece of land that will afford an optimum return in the desired combination of both economic and social values. This combination of uses varies with the objectives of the owners or managers, and they in turn of course, vary a great deal.

I should like to say more about multiple use, because in the Department of Agriculture we are learning the necessity of applying the principle to more and more of the Nation's land resources --both public and private. But I understand that is one of the things Ed Cliff, Chief of the Forest Service, plans to talk about on Wednesday; and I suspect it will be discussed a number of times and in a variety of ways by others taking part in your ambitious program. I would, however, like to touch upon why we in the Department of Agriculture feel as we do about the importance of the principle.

The reason is not particularly complex. The land base upon which the economic and social welfare of our country depends is relatively fixed. Over the years the land area on which we live, work, and play--and which produces virtually all of our life-supporting fiber and almost all of our food necessities--has remained fairly constant. It will probably be essentially the same in the years ahead.

It is true that there has been and will continue to be some changes in the uses of the land. And though there probably will be even greater changes in the demands that will be exerted upon it, still, for all practical purposes, the same land which now supports about 190 million Americans, and which supplied comparable needs for only about 120 million 35 years ago, will be called upon to meet the

same needs of possibly as many as 350 million as we prepare to cross the threshold into the 21st century, 35 years from now.

To be sure, because of modern-day production miracles, and even greater and more sophisticated technological advances that we can expect in the years ahead, it is going to be possible to make more efficient use of the productive capacity of our land. Even so, the pressures on it are going to continue to mount. And as our standards of living continue to rise, these pressures are almost certain to grow somewhat more rapidly than our population itself grows.

We are going to see increased demands for more food, more fiber, more places to play, more locations for suburban developments and shopping centers, more land for dams and water impoundments, and more concrete highways and airstrips. Our land will be called upon to provide all of these things and more, often several of them concurrently. These pyramiding demands will require a stewardship undershored by the basic multiple use concept.

Within the Federal Government, the responsibility for leadership on the bulk of the Nation's food and fiber producing land is in the Department of Agriculture. The Department is involved in programs directed at assuring the conservation and best use of more than a billion acres in the Nation's 3.7 million farms, and at the protection and management of all privately owned forest land--whether on farms or not--as well as that owned by State and local governments. In addition, The Department is directly responsible for the administration of the 186 million acres in the National Forests and National Grasslands.

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① Before settlement, almost half of our land was forested. By the end of the Nineteenth Century, more than 300 million acres of land once forested had been plowed. Today, as we are well into the second half of the Twentieth Century, about one-third of our land is still forested. Primarily because of tremendous technological advances in agriculture, we are going to see some current cropland converted to forest land. But with expanding uses, and because of various other counter-balancing pressures on forest land which result in offsetting additions and deletions, we can expect that our total forest land base will remain relatively constant.

In one way or another, the Department of Agriculture is directly concerned in how all of that land is used, and in the welfare of both the land and its users. It is about this sometimes overlooked aspect of the work of the Department that I want to talk now.

The USDA carries on its work through 17 operating agencies. Forestry is a Department-wide activity. Responsibility and the programs related to it are not limited to one agency, although the Forest Service bears our primary responsibility in forestry. We are not interested in trees just for the sake of the trees. Rather we are concerned with what forests and forest land can contribute to the welfare of mankind.

At least six Department of Agriculture Agencies have major forestry activities and several others have some responsibilities in this field.

There is the Office of Rural Areas Development. The Department started its program in Rural Areas Development to help increase both the economic and cultural opportunities of rural people; to help make sure that they are able to enjoy a way of life comparable to other Americans.

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Whether or not we attain this objective will in large measure depend upon the foresters of America and the way in which they manage the woodlands for which they are responsible. Appalachia is 64 percent forested. Our Northern Great Lakes area is 80 percent forested. Of about 900 counties in the original 48 States designated by the Area Redevelopment Administration as low income counties, about half of the land is forested. The meaning of this situation is self evident. More productive forests--in terms of all of their resources--will afford a primary means by which the economy of much of our Nation can be raised to an acceptable level. It is the Office of Rural Areas Development that is marshaling the efforts and the energies of all agencies in the Department of Agriculture toward this end.

As part of this effort, the Department's Extension Service is working to increase the opportunities for the small woodland owner. It provides them with demonstrations, short courses, tours, exhibits, workshops, and assists with the organization of special interest groups. The 4-H forestry program is an example of the Department's educational effort focused on a special interest audience. Marketing work with sawmill operators is another.

During the last two years the Cooperative Agricultural Extension Service has initiated in twelve States, special wood products marketing and utilization projects. Indications are that others will be adding this type of work to their program. The work in this field is already paying off. For instance, in Georgia a furniture squares mill was faced with a deficit of \$1,000 a month. Following an analysis of this operation, and its shifting without appreciable additional capital investment to a recommended product mix, the operation is now returning \$1,500 per month net.

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① The Agricultural Stabilization and Conservation Service's programs--and especially its Agricultural Conservation Program-- have helped a great many farmers, ranchers, and woodland owners adopt improved forest management practices. To date, farmers with ACP cost sharing assistance have planted trees or improved standing timber on 7 million acres--some in every State (and most counties), Puerto Rico, and the Virgin Islands.

ACP assistance is also an important factor in getting trees planted in small watershed programs, and it is available for constructing firebreaks and firelanes, erosion control measures on logging roads, and ponds for forest fire control. ACP funds are also used to carry out the Naval Stores Conservation Program in the gum turpentine producing areas of the South.

Under conservation reserve contracts of the Soil Bank, more than 2 million acres of trees were planted in 44 States.

Under the Cropland Conversion Program, initiated on a pilot basis in 1963, farmers in selected counties entered into ten-year cropland conversion agreements on 6 thousand acres to be planted to trees.

The Farmers Home Administration, through supervised credit programs, constantly works to improve the income of the family farmer. This involves programs such as those directed at improving farm woodlots and those encouraging the shifting into forestry of land no longer needed in the production of other crops. Loans for this purpose are used to clear and prepare land for tree planting and for carrying out such protective measures as fencing, pest control, thinning and fire protection.

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USDA 1617-64



The Farmers Home Administration also advances funds for the purchase of, or the refinancing of debts on, land that is to be used for forestry. In addition, loans are available for harvesting trees and for paying annual operating costs.

While most FHA loans go to family farmers, groups of farmers and other rural residents may also obtain credit to shift land into forestry. Under the rural renewal program, funds may also be advanced to public bodies for development of forest tracts needed to strengthen the economy of a rural community.

Since farmers and ranchers own more than a third of all of the Nation's commercial woodland, and nearly half of that which is privately owned, better forestry on farm woodlands has long been an important part of the technical assistance available to individuals from the Soil Conservation Service through Soil Conservation Districts. Soil Conservation District cooperators, now numbering nearly 2 million, are by far the largest group of private-land tree planters in the Nation.

Improved forest practices are a key element in many watershed protection and flood prevention projects, of which more than 500 are now underway, and in most of the newly-authorized Resource Conservation and Development projects.

These are typical of the ways that the programs of several Department of Agriculture agencies recognize the values of forest land, and better forestry. Other agencies with smaller, but still important forestry responsibilities are the Agricultural Marketing Service, Agricultural Research Service, Economic Research Service, Farmer Cooperative Service, Federal Crop Insurance Corporation, and Rural Electrification Administration.

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① Finally, there is the Forest Service. It, of course, is the primary support of our forestry mission. It is our primary agency in some other respects too. One-fourth of the employees in the Department of Agriculture work for the Forest Service making it our largest agency.

Forest Service responsibilities fall into three principal areas of activity. Of these the most widely known is the administration of the 186 million acres of public lands in the National Forest System. Since this involves 154 National Forests and 18 National Grasslands spread through 43 States and Puerto Rico, it is big business. Receipts into the Treasury from the sale of National Forest timber and fees for other National Forest uses in Fiscal Year 1963 totaled about \$125 million. This involved the harvest of 10 billion board feet of timber, a figure expected to reach 11 billion this fiscal year; and the grazing under permit of about 6 million head of domestic livestock.

Fully as important as these revenue producing activities, is the National Forests' protection of the municipal watersheds of nearly all western cities and towns and many in the East--as well as of many watersheds essential to waterpower developments and millions of acres of irrigated land. Closely related to this, of course, is the role National Forest watersheds play in providing flood protection to thousands of acres of rich valley lands and their help in preventing a more rapid siltation of reservoirs and stream channels.

Impressive as these figures are, the fastest growing of all National Forest activities is outdoor recreation. Last year there were about 122 million National Forest recreation visits; an increase of

nearly 7-fold since the end of World War II. High on the list of these recreation activities are hunting and fishing. Last year the National Forests were estimated to support 4.5 million big game animals; about one-third of the country's total. In addition to 6.3 million visits by big game hunters, there were more than 3.6 million small game hunting and over 18 million fishing visits. This makes it readily apparent why measures aimed at improving the wildlife habitat are a key element of all National Forest Multiple Use Plans.

Other recreation pursuits range from such familiar ones as picnicking, camping, boating, swimming and hiking, to the more spectacular ones of skiing on National Forest wintersports areas or exploring some of the 14.5 million acres that have been set aside as wilderness to be maintained in their undeveloped condition.

The phenomenal mushrooming of outdoor recreational activity can be expected to continue for some years to come. By and large the most popular activities are forest or forest-and-water oriented. For the next few years at least, coping with this demand will be one of the most complex problems that foresters will face everywhere.

The second major responsibility of the Forest Service is that of providing national leadership in forestry research.

Forest Service Research is carried on through ten Regional Forest Experiment Stations, the world famous Forest Products Laboratory in Madison, Wisconsin, and the Institute of Tropical Forestry in Puerto Rico. Involved are continuing investigations in the establishment, growth, improvement, and harvesting of forest products; protection of

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USDA 1617-64

forests from fire, insects, diseases, and animal pests; management of rangelands; improvement and management of wildlife habitat; forest recreation; protection and management of watersheds; efficient marketing and utilization of forest products; forest engineering and forest economics. A continuing forest survey provides comprehensive information as to the extent and condition of forest lands; the volume and quality of timber resources, trends in timber growth and harvest, and the outlook for future supplies and demands. I am sure this forestry research has already been helpful to you in the management of military lands, and that it will become even more so in the future. We invite you to keep in touch with our research facilities and abreast of their findings.

The third major activity of the Forest Service, called State and Private Forestry, is its cooperative program.

Working largely through the State Foresters it is this branch that is responsible for promoting, encouraging, and assisting in the protection, development, better management and improved utilization of non-Federal forested land and its products. Forestry units in State Governments with Federal financial assistance protect from fire about 420 million acres of forest and watershed lands. In addition, the Forest Service as a part of Civil Defense, is working with the State Foresters in planning the protection from fire of all rural lands.

In past years, most cooperative forest management programs have been largely concerned with timber and other wood products. As was finally seen to be necessary on the National Forests, the owners of private forest lands and the managers of other public forests are rapidly becoming aware of the opportunities for redirecting management

programs to take advantage of the full range of the potential resource uses that their lands afford. Multiple use management is rapidly becoming the watchword of most forest land owners. The advantages of making use of the land--often at a profit, and usually to the advantage of the communities in which the holdings are located--while the trees continue growing, are too obvious to be overlooked.

The Department of Agriculture is mobilizing all of its capabilities to make the greatest contribution possible to people in rural areas through developing and utilizing their forest resources. We are striving to make the National Forests contribute their maximum to employment opportunities and we are trying to build up both the private forest resources and industries for the economic and social betterment of these areas. Throughout the Nation, the Department is moving forward on a broad front to assist in the "War on Poverty." As Secretary Freeman has said:

"It is no exaggeration to say that if we can overcome poverty in the rural areas of the Nation, we will eliminate once and for all the major source and fount of the problem throughout the Nation."

Forest land resources in all ownerships have an important role to play in this Poverty War. Those of us in whom the Nation has placed its trust have a great responsibility to make sure that all of our forest land capabilities are used to the fullest extent. To paraphrase the words of Lord Nelson, the United States expects all land managers to do their duty as stewards.

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USDA 1617-64

Ca The Department of Agriculture accepts its share of the responsibility, and this meeting indicates that the Department of Defense does also.

I am not going to try to list things we can and should be doing to help each other. I am sure you will hear of many such things from those who will speak later. All I want to say is that our meeting today is proof that we intend to carry out the Memorandum of Understanding signed by our two Secretaries; not only its words but also its intent and spirit.

I hope you will have a most successful conference, and we look forward to continuing a close and constructive relationship with you in meeting the obligations of our stewardship in forestry.

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UNITED STATES DEPARTMENT OF AGRICULTURE  
Office of the Secretary

FARM POLICY ISSUES FOR THE YEARS AHEAD

Talk by Charles S. Murphy, Under Secretary of Agriculture,  
at the 42nd Annual Agricultural Outlook Conference  
Washington, D. C., 9:40 A.M., Monday, November 16, 1964

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I am glad to be here again this year.

At the last Outlook Conference, I talked to you some about how outlook information is used in the process of making decisions in carrying on our farm programs.

The outlook affects those decisions significantly, and at the same time there is a feedback -- the decisions on farm programs can and do change the outlook. This past year was a classic case.

Last fall, at this time, this conference looked for a drop in farm income in 1964 as a result of the defeat of the wheat referendum. But then a new wheat program was enacted earlier this year -- and realized net farm income this year is running just about the same as last year.

In fact, we have had an unusually long period of 4 years of stable, fairly high incomes as compared with past experience. In a real sense, this is an index of effective response of farm programs to an unfavorable outlook.

Although this conference is focused primarily on the outlook for 1965, I want to take a longer look at the major policy issues. By and large, the commodity programs that we have now will be in effect next year and the outlook is clarified to that extent. But by 1966, a number of farm program decisions will have to be made by the Congress -- at least with respect to feed grains, cotton, wheat and wool, and perhaps for other commodities as well. The dialogue will start early in the next session of the Congress.

Probably the discussions will hold within a narrower range than in previous years -- well within the outer limits of pervasive mandatory controls on the one hand and the "free market" on the other. A consensus appears to have developed toward the broad middle ground -- and I do not rest this conclusion only on the results of the first Tuesday following the first Monday in November. It is apparent also in the report of the National Agricultural Advisory Commission Farm Policy In The Years Ahead published last week. I should add that the Commission, which is appointed by the President, is made up of distinguished farm leaders of both major parties, and their report will provide a bipartisan base for consideration. You will find this document very helpful to understanding our present problems and the direction of future policy.

The broad middle ground -- the course we are now pursuing -- has been effective in raising the level of farm income and maintaining that higher level during the past 4 years. We hope for and expect further progress in improving farm income. But we must recognize that our ability to achieve such improvement is limited by the kinds of programs farmers find acceptable and by the levels of cost to the Government.

President Johnson has established a goal of parity of income and parity of opportunity for farm families and for other rural people as well. It is important to remember that, in terms of people, the non-farm part of this goal is far larger than the farm part. Even today, fewer than one-fourth of our rural people live on farms. In the years ahead, it will be still less. And over half of those who do live on farms will be on part-time or retirement farms, or other farms with resources inadequate to provide a decent living from farming operations.

In the farm sector of the rural economy, we should certainly seek to make it possible for the efficient family farmers who account for most farm production to reach parity of income from farming operations. By parity of income, I mean returns to the efficient farm operator for his capital, labor, and management comparable to returns received in other pursuits.

There are somewhat less than a million farms in the United States that sell more than \$10,000 worth of products annually. These efficient farms make up only 27 percent of the total number of farms, but market nearly four-fifths of the total product. They have the capacity to produce all of the nation's needs for agricultural products in the foreseeable future.

There is good reason to be optimistic about the long-run future for the efficient commercial family farms. They have sufficient resources, present and potential, to provide their operators with satisfactory returns.

Analyses made in the Department indicate that a substantial part of the efficient family farms are now receiving returns roughly near "income parity". In fact, average returns for the top 1 million farms would have been at parity in 1963 if gross farm income had been increased about 5 percent, either by higher prices or larger Government payments. The increase in net income would have had to be larger in percentage terms -- perhaps 10 to 15 percent above 1963 -- for returns to this group of farm operators to have been at parity.

We must emphasize this point: The income position of these farmers is as favorable as it is only because of our price and income support programs. Their outlook will continue this favorable only so long as effective Government farm programs continue.

The price and income programs now in effect have been evolving over three decades. They are working reasonably well. There appears to be little prospect for drastic or radical changes at the present time.

Few any longer seriously propose junking our programs. Studies made here in the Department, at Iowa State University and Cornell University, and just last month by Dr. Walter Wilcox for the Congress, have documented the catastrophe that would result from such a course.

Dr. Wilcox finds that if price support and acreage diversion programs had not been in effect in the 1961-63 period, net farm income would have averaged only about \$6 billion a year. This is less than half the average of \$12.6 billion actually received. Economists like to talk about multipliers. In this case, each \$100 of Commodity Credit Corporation expenditures on price support and acreage diversion programs increased farm income by \$236.

Net income would have been even lower, if, in addition, there had been no marketing orders, Public Law 480 exports, or agricultural conservation payments.

If a return to a mythical free market for agriculture is not a realistic alternative, neither are we likely to take the road to further mandatory restrictions on production. Neither the farmers nor the Congress appear ready to accept such a course, even though it might provide price and income support at less cost to the Government than other kinds of programs.

To say that drastic changes in our price and income programs are not in prospect does not rule out the need of making any changes. We must continually reappraise our programs to maintain farm income, to hold down costs to the taxpayer, and to keep them responsive to the needs of our rapidly changing agriculture. Program changes could be of major significance, although not drastic or radical.

I am not going to offer you a blueprint for future program changes this morning, but let me suggest a couple of examples that might well be in the general interest.



First, we need to develop a larger, more effective long-run land retirement program. Our problems of overcapacity are going to be with us for a long time. We are now paying to withhold about 57 million acres in the feed grain, wheat and Conservation Reserve programs. We will continue to have somewhere between 50 to 80 million acres more cropland available than we need for farm production. As a minimum, such a program should provide for the retirement, more or less permanently, of submarginal land not needed for farming. It also should provide a better way to divert land not needed in the short-run because of excess capacity.

Second, the National Advisory Commission has proposed -- and I agree -- that producers ought to take a look at quantity limitations rather than acreage limitations for some crops such as tobacco where mandatory production controls are in effect. Tobacco producers as well as the rest of the tobacco industry have been seriously discussing poundage quotas for several years. Emphasis on high yields under acreage limitations has created a serious quality problem. Under poundage quotas, growers would have a greater incentive to produce high quality tobacco in order to receive more dollars for the quantity allowed. This would improve the competitive position of American tobacco in the export market. Tobacco producers should consider this suggestion carefully. Primarily, it will be up to them.

Now I want to turn to another outlook -- away from "commodity outlook" to "people outlook". I have noted that this conference will consider the problems of rural people as well. Commodity programs may be the proper route for the 1 million or so farm families of efficient commercial agriculture. But they cannot provide adequate income for the 2-1/2 million families on the smaller farms or for the 12 million other families of rural America.

A prosperous commercial agriculture is a necessary foundation for the economy of rural America. But programs for commercial agriculture cannot alone create the parity of opportunity that rural people must have if they are to achieve a standard of living comparable to that of city people. Only 1 out of 10 boys now growing up on farms can expect to make a decent living as farm operators.

In rural America, there are massive problems of a chronic nature -- problems of surplus manpower, of inadequate education, of substandard income and substandard living conditions. This is really the great challenge for the years ahead.

Rural America has half of the nation's poverty, although it contains less than a third of the total population.

The percentage of dilapidated and substandard houses in rural areas is three times that of the cities. A fourth of all farm homes and a fifth of rural non-farm homes do not have running water.

Rural children get a third less medical care than those in nearby cities. Their mortality rate is 50 percent higher. They get less schooling and less money is spent on their education than for children in cities.

This is the classic "vicious circle". Lack of resources has kept rural America from providing the educational, health, and other public services necessary to develop the skills and talents of its citizens. And because the lack of skills has kept earning power low, rural America has been unable to accumulate the resources it needs.

Breaking this circle is our most important job in the years ahead.

One figure illustrates what we have to do. The increase in jobs needed between 1960 and 1970 to absorb the increase in the rural labor force, and to

alleviate rural unemployment and rural underemployment, is over 6 million. This is an increase of 40 percent over the total number of rural employment opportunities existing in 1960.

Not all of these new jobs must be found in rural America. The increasing efficiency of agriculture will release additional manpower, and migration from farms to cities will continue.

But experience proves we cannot look to migration to solve the ills of rural America. The flow of rural population into the cities has left serious problems in its wake.

Many rural areas have been stripped of their younger, best educated and most productive citizens. This loss of human resources and potential leadership has seriously weakened rural institutions.

For many other farm people uprooted by technological change, particularly the poorly educated, migration has meant exchanging poverty in the country for poverty in the city.

Our first step in coping with the problem of poverty in rural America is to give our rural youth a chance to compete successfully for a decent income, either in the city or in the country. Many of us believe that the number one "farm problem" now and for the future is the widespread deficiency in rural education.

The humanitarian reasons for providing equality of opportunity for our rural youth are obvious. The economic justification is just as compelling. Various studies have demonstrated that the returns for public investment in human resources provide greater returns than investment in physical or natural resources. For example, returns on investment in primary education appear to be about 35 percent for the nation as a whole, and it probably is much greater

for some of the disadvantaged groups. Returns on a typical water or land resource investment, on the other hand, seldom reach 10 percent.

Our public policies for rural America have been too heavily weighted in favor of investment in real estate, or plants and animals, as compared with investment in human development. We must shift the emphasis toward greater investment in people.

One of our major objectives is to give rural people a fair chance to choose whether they stay in their home communities or move to the city. For many, it is a very poor choice under present conditions, considering the disadvantages of education, jobs and incomes, housing and public facilities, in rural areas.

How to move all of rural America and its people into the mainstream of national economic progress may well occupy the center stage of policy issues with which this conference will be concerned in the years ahead.

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CURRENT SERIAL RECORDS

Agriculture and the Balance  
of Payments

Statement of Charles S. Murphy, Under Secretary of Agriculture,  
before the International Finance Subcommittee of the Senate  
Banking and Currency Committee, March 16, 1965

Mr. Chairman and Members of the Committee:

I am glad to have this opportunity to appear here and discuss the relationship between agriculture and the balance of payments. I venture to believe that this relationship is far more significant than most people realize.

In fact, expansion of agricultural exports is one of the best possibilities we have for improving our balance of payments situation. It is also a possibility which depends very largely on the wisdom and vigor of Government policies and actions, as well as on the productive genius of American agriculture.

To realize our full potential for expanding agricultural trade, we must:

- (1) Have domestic farm programs which keep our agricultural economy vigorous and strong - encouraging increased efficiency and lower production costs - and permitting our farmers to compete effectively for world markets.
- (2) Provide credit and other export aids so that our agricultural exports can compete vigorously and fairly for world markets.
- (3) Encourage economic growth in the less developed countries to increase their buying power.
- (4) Continue and expand our highly successful market development programs to increase the demand for our farm products abroad.

(5) Reduce barriers to international trade in agricultural products.

(6) Avoid self-defeating policies and actions that needlessly restrict our agricultural exports.

Before commenting on each of these points, I would like to indicate the important place that agricultural exports already have in our trade balance and in providing markets for the products of our farms. I would also like to indicate briefly the amount of progress we have made in recent years in expanding our agricultural exports.

Since calendar year 1958, we have pushed the value of total agricultural exports from \$3.9 billion to a record peak of \$6.3 billion. That's an increase of 65 percent.

Most of this gain has come from commercial sales--the three-fourths of our total agricultural exports that we sell for dollars. Of course, when we sell for cash in foreign markets we are helping in a very direct way to close the dollar gap, which last year amounted to \$3.0 billion.

Let me cite a few more figures to illustrate the important role that agriculture is playing in the trade arena.

In 1958--and I use that year as a starting point because that was when the balance of payments problem became acute--the portion of farm product exports sold abroad for cash totaled \$2.6 billion. Every year since then we have sold more for dollars than in the preceding year. The cumulative increase in dollar earnings from farm exports during the period, taking 1958 as a base, has been \$6.1 billion. That's a solid contribution to alleviating our balance of payments problem.

If I may boast a bit about agriculture, I'll say that our farm product exports are moving ahead faster than shipments of industrial products. The

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gain in our commercial agricultural exports between 1958 and 1964--from \$2.6 billion to \$4.6 billion--was a whopping 80 percent. The gain for industrial goods--from \$12.4 to \$18.8 billion--was only 50 percent.

But both sectors of our economy can be proud. Our overall merchandise account balance has been favorable for many years. For example, since 1958 we have exported an aggregate of \$139 billion worth of goods--industrial as well as agricultural. Over that period our total merchandise imports have amounted to only \$109 billion. That gives us a favorable balance of about \$30 billion on the merchandise account. Our dollar gap comes, not from merchandise trade but from such "invisibles" as cold war outlays, U. S. investment abroad, and tourist expenditures overseas.

We also are getting substantial balance of payments help from the approximately one-fourth of our agricultural exports that move under the Public Law 480--Food for Peace program. These shipments had a value of about \$1.7 billion in 1964.

We are using foreign currencies generated under Title I, P. L. 480, to pay such bills as embassy expenses, military outlays, and costs of market development operations carried on all over the world. About \$233 million was used for these purposes last year.

The P. L. 480 barter program, which involves the exchange of U. S. farm products for various materials and services, also is helping us avoid certain dollar expenditures abroad. In 1964 we saved \$115 million by bartering surplus food and fiber for such goods as post exchange supplies, petroleum, and jute bags, and for such services as modification of foreign based U. S. aircraft and ship repairs.

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The long-term credit program carried on under Title IV, P. L. 480, is beginning to give us some balance of payments assistance now, and will provide more as time goes by. The program has accounted for almost \$200 million worth of agricultural exports sold for dollars on credit terms up to 20 years. Close to \$8 million in interest and principal has been received--and in dollars.

I would like to turn now to some of the ways in which we can make it possible for agricultural exports to be even more helpful.

#### U. S. Farm Programs

The United States is the largest agricultural exporter among all the Nations of the world. The basic reason for this is the marvelous efficiency of American agriculture. The efficiency and productivity of our agriculture have increased in recent years at a furious rate - far outpacing any effective demand for our farm products. Productivity - the agricultural version of automation - is increasing on our farms at a rate twice as fast as in our economy as a whole. It has more than doubled in the past 15 years.

The results of this agricultural revolution have been extremely beneficial, although accompanied by some very painful adjustments. At home, our people are fed better than ever before and pay for their food a smaller share of their income than ever before. The average American today spends less than 19% of his income for food. Fifteen years ago, it was 26%. Incidentally, the American farmer gets only about 1/4 of that 19%.

Abroad, we have been able to make an indispensable contribution of food to rehabilitation and reconstruction in Europe after World War II - to survival and development in other Nations since then - and at the same time increase our dollar earnings from exports.

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Even with all these achievements, our agricultural plant is not fully employed. In fact, we go to considerable lengths to restrain its bounty. We are now keeping more than 50 million acres of cropland out of production under Government programs. If we removed these restraints, it is likely that U. S. agricultural production would increase by some 25% within 3 or 4 years.

During the past 30 years we have developed an elaborate system of price support and production adjustment programs to help bring stability of our agricultural economy in these times of rapid change. By and large, these programs have been successful. Farm income has been maintained at levels much higher than would otherwise have prevailed. If these programs were to be terminated now, net farm income in the United States would drop about 50%.

These programs have sought to stabilize prices of farm products in relation to the prices of other goods and services in our economy. Although they have achieved considerable success in doing this, farm prices have not kept up with other price increases for the past 10 or 15 years. Farm prices have failed by one-fourth to keep up with other price increases for the past 10 or 15 years. Even so, U. S. prices for some of our basic export commodities have been above general world levels. This has been our dilemma - as we have sought to stabilize farm prices in a fair relationship to other U. S. prices, we have moved toward pricing ourselves out of world markets.

We have met this problem in various ways, with export subsidies and the like, and I shall return to that subject. But the main point is that the system has been such that the producers of some of our basic commodities - notably wheat, cotton, and tobacco - have not been free to compete fully for world markets at world prices. They could not do this because their total production has been confined by programs geared to stabilizing their position in the domestic economy. This dilemma is leading us to examine more seriously than ever before

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modifications in our farm programs to permit separate treatment of production for domestic use and production for export. We moved in that direction significantly with the wheat legislation enacted last year.

Under the new wheat program, part of the producers' return is provided in the form of certificates, while the wheat itself moves through the marketing system at prices supported by a loan at near world price levels. This program is proving feasible, and we hope it will be extended. Among its other virtues, it is a voluntary program - and any farmer who wants to stay out of it can grow and market all the wheat he pleases without let or hindrance. But more important for our present purposes, this "two-price" system gives us a method for permitting our wheat farmers to compete for world markets on even terms with producers in other exporting countries. At the same time, it should reduce the need for us to restrain production by artificial means; and, to the extent our producers can compete successfully for export markets on these terms, it opens up opportunities for our highly efficient agriculture to make a greater contribution to our balance of payments.

There is good reason to believe that our farmers can compete effectively enough on even terms in world markets to expand exports substantially. In fact, the two commodities which are our star performers in export expansion - soybeans and corn - are now exported without any subsidy at all. Exports of soybeans have grown from \$238 million in fiscal 1959 to \$516 million in fiscal 1964; corn from 204 million bushels in fiscal 1959 to 453 million bushels in fiscal 1964. Fortunately, we have every reason to expect continued significant growth in exports of both these commodities.

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The abundant availability of feed grains at moderate and reasonable prices in the U. S., is also creating a situation where we may be able to achieve a significant increase in exports of livestock and animal products. Much attention is being given to this possibility, and the results could be quite surprising.

Among the commodities where the U. S. price level is above the world price so as to create an export barrier, the President, in his Farm Message of February 4, 1965, recommended that attention be given to changes in the programs for rice and tobacco to facilitate more effective export efforts, and we hope to have more detailed suggestions before the Congress in the near future.

#### Export Aids

We have an effective set of export aids available for agricultural production at the present time. The Export-Import Bank can make credit available. The Commodity Credit Corporation can sell for export on credit terms, and can also sell for export at prices below U. S. internal levels. In addition, CCC is authorized to pay export subsidies on agricultural products.

The administration of these export aids is a very complicated and difficult task. I will be glad to discuss it at length if the Committee wishes, but I mainly want to say that our purpose is to administer these aids vigorously to make sure we achieve a fair share of the world's export markets; and at the same time it would be unwise and self-defeating to go beyond that to price wars and unfair competition that are or would be harmful to all exporting nations including the United States.

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In fact, we have an obligation under the GATT not to use export subsidies beyond what is necessary to achieve a fair share of the world market. I believe this is as it should be.

Our justification for paying subsidies, of course, lies in the restrictions we place on the production of crops, and the fact that we do not seek through a combination of support prices and export subsidies to obtain an undue share of world markets for our production. The responsibility for administering these programs so as to provide enough export assistance without providing too much is a heavy one. It frequently leads to difficulties in our relationships with other exporting countries, as well as with our own producers and exporters. This is an additional reason for modifying our domestic farm programs to eliminate the need for export assistance in so far as practicable.

In the meantime, it will be our purpose to make sure we do obtain a fair share of the market for those commodities where export aids are needed and justified.

#### Increased Buying Power in Developing Countries

The greatest potential for increased demand and utilization of agricultural commodities is among the hundreds of millions of people in the poorer countries of the world who do not get enough to eat.

Two-thirds of the world's people live in countries with inadequate diets. The diet-deficit areas include all of Asia except Japan and Israel, all but the southern tip of Africa, the northern part of South America, and almost all of Central America and the Caribbean.

The diet of people in these areas averaged 900 calories per day below the level of the one-third of the world living in countries with adequate diets in 1959-61, and 300 calories below an adequate nutritional standard. The daily consumption of protein was less than two-thirds of the level in the diet-adequate countries; the fat consumption rate was less than one-third.

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The total cost of bringing the average diet to the nutritional standard is projected to be \$6.8 billion in 1970. For the Free World, the cost would be \$2.5 billion. That is a rough measure of the potential markets in these countries.

Through our foreign aid program, and especially through Food-for-Peace, we are seeking to encourage economic growth, improve living standards, and increase buying power in such countries. To the extent we can do that, we will be tapping the largest market there is for our agricultural exports.

Countries where we have given food aid in the past are now our best dollar customers. Western Europe, where we helped through the Marshall Plan; Japan - now our best single dollar customer for agricultural exports - almost \$750 million a year - was receiving aid under PL 480 only a few years ago; Spain, which was also a recipient of aid under PL 480 has now become a major dollar customer for our agricultural exports.

Some people are concerned lest increased agricultural capability in the developing countries eliminate export markets for us because those countries will be able to supply their own needs. In general, this concern is not justified. The food needs of these countries are so large that their own increased production will not be able to meet them. On the contrary, they will only help to provide the elemental basis for a viable economy to make possible a growth in income and purchasing power. This growing purchasing power will permit larger purchases of agricultural imports on commercial terms than would be possible otherwise.

This is not to say that foreign aid should be administered without safeguards to prevent interference with commercial agricultural trade. We should, and do, take care that PL 480 sales do not preempt normal commercial markets for agricultural products; we screen aid projects to try to prevent financing competition for our own commercial exports; and we try to see that the terms of PL 480 sales are made firmer country by country whenever possible on the basis of ability to pay.

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Despite the fact that some interference with normal commercial trade is inevitable, we are convinced that PL 480 aid - in addition to its important contribution to peace and to meeting basic human needs - will in the long-run make a most significant contribution to creating vast new markets for the products of farmers in the U. S. and other exporting countries.

#### Expanded Market Development Programs

We all know that expanded exports don't "just happen." There must be demand for our goods. And vigorous sales effort is a "must."

Fortunately, the foreign economic climate in recent years has been favorable. Demand for our food and fiber has been strong. Populations are expanding. In many countries, particularly the industrialized nations, the larger populations have high purchasing power. They are using part of it to upgrade their diets. Today foreign consumers are eating a far wider variety of food than was the case a few years ago. And they have stepped up consumption of such relatively high-cost items as meat, poultry, dairy products, fruits, and vegetables.

But a favorable demand situation must be exploited if we are to maximize exports. In other words, we must copy a leaf from the manufacturers of industrial goods and get out and sell. That's what we have been doing. We have become active, aggressive merchandisers. And, as you have seen, the effort is paying off well in terms of increased sales for dollars.

We attribute much of our success to the fine cooperation of government and industry in market development work. Today, 47 U. S. trade and farm groups work with the Department of Agriculture on development activities covering virtually all major commodities. Development work is going on in 67 countries in concert with over 200 foreign trade associations.

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A special effort is being made to reach foreign importers, wholesales, distributors and others in a position to buy U. S. farm products in substantial volume. Of increasing importance are commodity "conferences" held in connection with U. S. exhibits at international trade fairs. For example, "meat conferences" at recent exhibits in Hamburg, Paris, and West Berlin brought together U. S. and foreign meat trade people for discussion of meat quality, supplies, prices, and shipping. Permanent Trade Centers at London, Milan, and Tokyo are aimed directly at members of the trade. We are continuing to bring foreign trade people to the United States to meet U. S. sellers and to see how we produce, process, and market our goods.

We are also keeping consumers in mind, because, through them, we create demand for our products. We have reached over 50 million foreign consumers through 150 exhibits in 35 foreign countries. We have reached many more in other ways--through advertising, mobile exhibits, distribution of samples, contests and other tested promotion techniques.

We have some outstanding "success stories" which prove that persistent and intelligent sales effort produces results.

A few years ago the U. S. Soybean Council persuaded the Spanish Government to try some of our soybean oil under the Title I, P. L. 480 program--the U. S. Government accepting Spanish pesetas in payment. The industry followed up with an intensive program to show consumers that soybean oil could be blended with olive oil or used in lieu of olive oil for certain purposes. Foreign currency sales eventually were replaced by dollar sales. Today, Spain is the largest cash buyer of our soya oil. Our dollar sales to Spain to date add up to almost 1 billion pounds, valued at \$100 million.

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Italy in 1960 was buying virtually all of its feed grains from sources other than the United States. The U. S. Feed Grains Council, working with the American agricultural attache in Rome, and the Italian grain and feed trade, persuaded the Italian Government to permit imports of U. S. corn, barley, and grain sorghums. U. S. feed grain exports to Italy rose promptly from 79,000 metric tons in 1960 to 204,000 in 1961, to 471,000 in 1962, and to over a million tons in 1964.

Market development success stories like these are numerous. The list includes expansion of markets for wheat, feed grains, and poultry in Japan; rice in the United Kingdom and South Africa; soybean oil in Iran; tobacco in Thailand and Austria. These successes explain in large part why our agricultural exports sold abroad for dollars have increased from \$2.6 billion in 1958 to \$4.6 billion in 1964.

#### Reduce Trade Barriers

We are now engaged in the Kennedy Round of tariff negotiations seeking to implement the authority given in the Trade Expansion Act of 1962 to reduce trade barriers on a reciprocal basis for the purpose of increasing international trade. The agricultural phase of these negotiations is proving to be extremely difficult.

Up to the present time, we have not been able to establish a satisfactory basis for dealing with our major agricultural trading partner, the European Economic Community.

A primary purpose of the Trade Expansion Act was to give the President the tools needed effectively to bargain down protective walls which the European Economic Community was building around its domestic agriculture. The EEC variable levy system threatened to cut sharply into U. S. exports to this extremely important dollar market -- the largest we have, and the Congress and the Executive Branch wanted to reduce these levies.

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This problem was apparent at the conclusion of the last negotiation in 1961, when the EEC withdrew from our trade agreements the bindings it had negotiated on a number of important products such as wheat and feedgrains, rice and poultry. At that time, the most the EEC was willing to do for these commodities was agree to certain "standstill arrangements" which gave the U. S. the right to negotiate further when the EEC put into operation its common agricultural policies, and also carried forward the value of our bindings.

The internal EEC programs have continued to be a stumbling block to negotiation. The U. S. has been ready for months to begin the process of agricultural bargaining, but the Community has been unwilling to do so until its common agricultural policies are complete.

EEC preoccupation with its common agricultural policies has also led it to propose a formula for negotiation which has proven unacceptable to the U. S. and most of the other negotiating countries. This is the montant de soutien or margin of support proposal. It is complicated and difficult to explain -- but in its simplest terms it seems to freeze the high barriers to trade that will exist in the Community, and not a reduction in that protection. We think it will be very difficult for them to explain how this would expand agricultural trade.

The Community agreed upon its internal common grain price in December of last year, thus taking a major step towards completing its common agricultural policy for grains. It had said that it could not begin negotiations on grains until this step was taken. Now the EEC should be in a position to take part in meaningful grains negotiations within the next few weeks.

It does not appear that the Community will complete its common agricultural policies on other products -- such as beef and dairy products, rice and tobacco for some months. Thus, the Community is unwilling to enter into negotiations on

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products other than grains until September. As a result of work now being done in Geneva, however, it appears as if the bargaining on these other products will begin at that time. The interim period will be used to explore with the negotiating countries how this bargaining will take place.

We have suggested the simple formula of identifying the trade barriers which impede exports, and of reducing them and binding these reductions against increase. This approach is consistent with the objectives of the Trade Expansion Act under which we are negotiating.

We are flexible in the methods to be used for negotiation, but we are firm in our objectives. The negotiation is our program for reducing trade barriers and expanding agricultural trade.

If we cannot expand trade there is no purpose in participating in a trade negotiation.

#### Avoid Self-defeating Actions

Encouraging agricultural exports is a field of activity where it is terribly easy for one to get tangled up with his own feet. There are some programs which administered one way will increase dollar exports, and administered differently will decrease them. The thread of consistency is not always easy to follow, but we must search for it constantly. Let me give some examples.

Barter - Barter transactions can be good for the balance of payments or they can be bad. The idea that we can swap surplus agricultural commodities for something else to store in another stockpile with no adverse consequences is far too simple. The disposal of the bartered agricultural commodities can, and almost always does, displace dollar sales in some degree. Obviously, it is better to get cash dollars for our agricultural exports than some mineral that we might or might not use - and this has an immediate effect on the balance of payments.

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We have rules to require a showing of "additionality" - that dollar sales will not be displaced. But these rules are difficult to administer and their effectiveness cannot be precisely measured. In each barter transaction there has to be a value judgment as to whether, on the whole, the advantages outweigh the disadvantages. Cotton merchants seem to have concluded that, on the whole, barter has a negative effect and they do not support it.

In the past two years, we have shifted the main thrust of our barter program to aiding off-shore procurement for the whole government. These are cases where dollars would otherwise be spent abroad and payment is made with our agricultural commodities instead. Additional materials to be stockpiled - which would not otherwise be procured - are not imported. Most of this business is done in cooperation with the Department of Defense and the Agency for International Development, and it is working successfully. This type of barter makes a real balance of payment contribution without the risk of displacing dollar sales to obtain unneeded materials.

Export Licenses - Some agricultural commodities can be exported to Soviet Bloc countries without obtaining an export license in each individual case; others cannot. In general, the dividing line is that if there is a price support program for the commodity, a license is required; otherwise, not. Thus, we require a license for the commodities we most need to export, but not for the others. This licensing requirement is a substantial impediment to export sales. If it were removed, we almost certainly would have a prompt and significant increase in agricultural exports.

Cargo Preference - A related matter is the requirement that when a license is issued for grain exports to the Soviet Bloc, a condition is imposed that at least 50% must be moved in U. S. ships. No similar requirement exists in the case of other commercial sales which (except as to this shipping requirement) would be made on exactly the same terms to other countries.

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This requirement was first established when the sale of wheat to Russia was under consideration in 1963. At that time it appeared that this requirement would not interfere with such sales. However, it has not worked out that way. In fact, the evidence is rather clear that except for this requirement the sales to Russia in 1963-64 would have been approximately twice as large as they were.

This year, Russia again is importing rather substantial quantities of wheat from Canada and Australia - but not from the U. S. It is plain that the reason we are not being considered for these purchases is because this U. S. shipping requirement adds substantially to the cost which the purchaser would incur.

Thus, the actual effect of this requirement now is - not to provide additional business for the U. S. Merchant Marine - but to prevent U. S. long-shoremen, U. S. exporters, and U. S. farmers from having employment and earnings that would otherwise accrue.

The adverse effect of this one requirement on the U. S. balance of payments might well be in the range of \$100 million a year.

Export Subsidies - I have said earlier that excessive export subsidies might be self-defeating. Obviously, the returns per unit to this country as well as others will be less the lower the price is. Selling a large volume of goods with a loss on every unit is not very good business and should be avoided.

I mention this here merely to make the point that one should not assume we can greatly increase the benefits from our export markets just by lowering our export prices. Competing exporters can lower their prices too; and we can all go down together - without any commensurate increase in our volume of sales.

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While we cannot afford to hold a rigid umbrella over world prices at a level which robs us of our competitive position, neither can we afford to trigger a global price war, heedless of the consequences.

xxxx

Mr. Chairman, I am convinced that we can do much to realize more fully the export potential of U. S. agriculture. If we move along the lines I have indicated, I believe we can count on consistent growth in our exports. There may be temporary ups and downs, but the trend should be strongly toward growth. Obviously, this growth cannot be quantified with precision, but the contribution it can make to improving our balance of payments position might well increase at the rate of several hundred million dollars a year.

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May 26, 1965

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Statement of Charles S. Murphy  
Under Secretary of Agriculture  
Before the House Committee on Agriculture  
on Proposed Cotton Legislation  
C-2  
May 26, 1965

CURRENT SERIAL RECORDS

Mr. Chairman and Members of the Committee:

I am glad to have this opportunity to testify concerning cotton and proposed new legislation.

Before discussing the recently introduced Cooley bill (H.R. 8149), let me briefly review the current cotton programs and point out the legislative situation which will exist at the end of the 1965 crop year if no new law is enacted.

The Agricultural Act of 1964 has now been in effect over 13 months. Some of its major purposes have been accomplished; others have not. However, there appears to be general agreement that removal of the inequity under which U. S. textile mills operated from 1956 to 1964 was a milestone, or turning point, in the industry and that progress made with the one-price system for cotton should be continued.

I would like to give you a summary report covering operations under the 1964 crop year program, including the interim program which provided for PIK equalization payments on cotton consumed by domestic users from April 11, 1964, through July 31, 1964:

- (1) Domestic consumption is up by about 900,000 bales. U. S. textile mills are obtaining cotton at prices no higher than our export prices. Under the PIK equalization program,

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Statement of Charles E. Smith  
before the House Committee on Agriculture  
March 1914

March 1914

March 1914

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payments are being made at the rate of 6.5¢ per pound. After payment is made to approved cotton handlers, the cotton moves through trade channels at the same price either for domestic use or export. Submitting proof to CCC that an equivalent poundage of cotton is domestically consumed or exported is required of cotton handlers who receive this payment. A cotton handler may, however, transfer this obligation to another approved cotton handler. For the current marketing year, it is estimated that these payments will approximate \$305 million on cotton consumed domestically.

With mills using substantially more cotton than in 1963-64, consumption of rayon on the cotton system has recently declined.

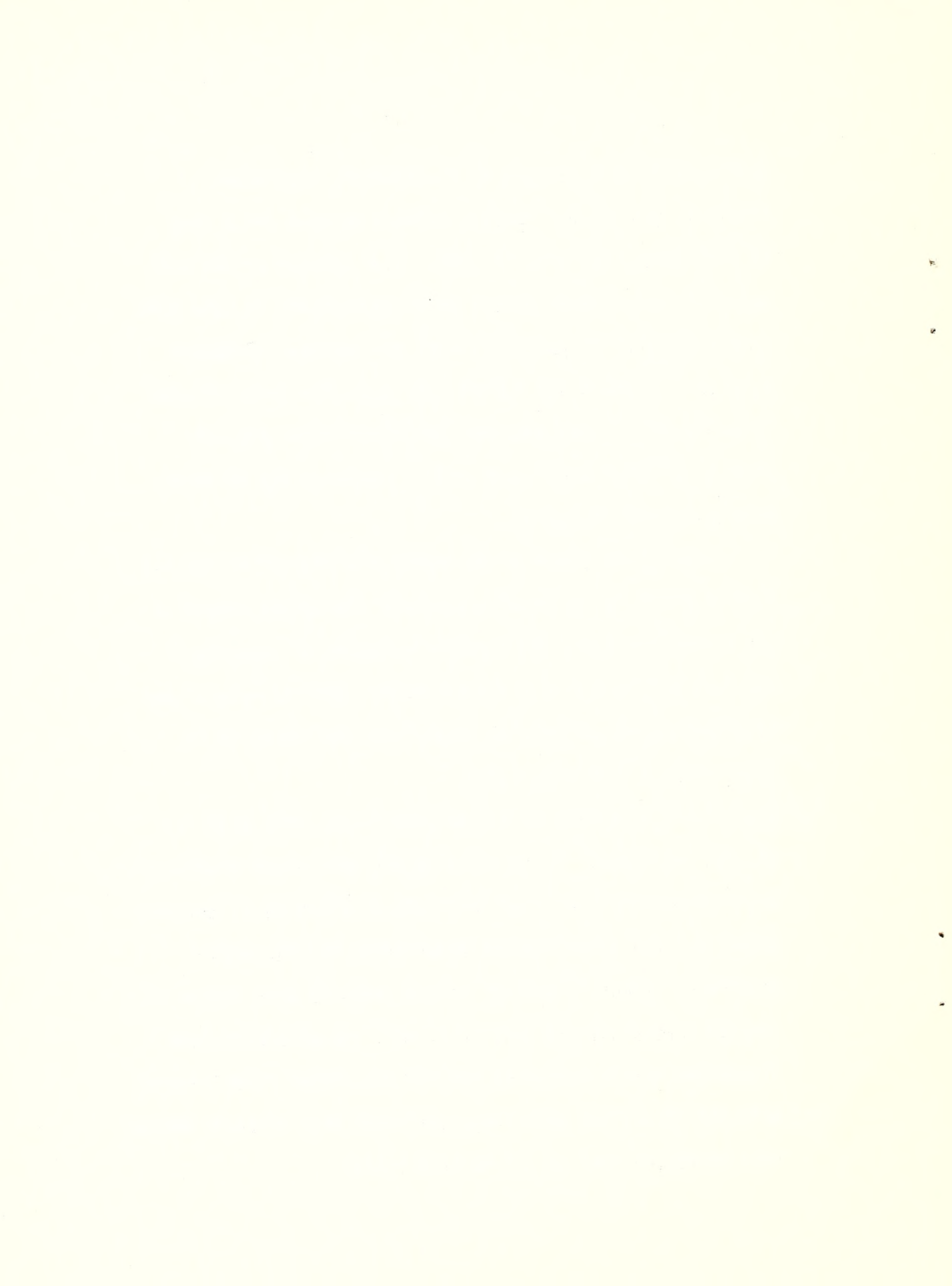
Other hoped-for and expected developments have not yet materialized. Price reductions for textiles to consumers are still around the corner; consumption of non-cellulosic fibers has continued to expand rather than level out or decrease; and for the 1964 calendar year there was little change in the volume of textile imports or exports. Farmers had a good 1964 crop. Over 15 million bales were produced on less than 14 million harvested acres. The farm value of production (including domestic allotment payments but not



cottonseed) was maintained at a reasonably high level -- nearly \$2.3 billion. Several factors account for a crop in 1964 nearly as large as 1963. Late passage of the 1964 law gave most farmers little or no opportunity to plan 1964 crop operations to participate in the domestic allotment program. Farmers did reduce 1964 plantings about 500,000 acres under this program, but total production was not greatly affected since much of the reduction was on farms with poor crop prospects.

Other developments to be noted with respect to the big 1964 crop are (a) a record high yield for upland cotton of 517 pounds per acre, (b) further expansion of planting in skip-row patterns to 2.5 million acres, and (c) release and reapportionment activity at nearly the same level as in 1963--about 1.5 million acres.

- (3) Exports are estimated at 4.5 million bales, down from 5.7 million last year. It is our judgment that world production at a record-high level and increased consumption of man-made fibers are the major factors responsible for our export situation. About 45 percent of U.S. exports this season will involve cotton shipped under P.L. 480, export-import bank financing, barter contracts and the CCC credit sales program.
- (4) With the 15 million bale crop, carryover will increase during this marketing year by 1.3 million bales.





- (5) Expenditures for the cotton program in fiscal 1965 will reach nearly \$900 million, but some \$150 million of this amount is a "one-time" cost connected with the transition to the new program.

Moving on now to the 1965 crop year, the outlook is as follows:

- (1) Another 15 million bale crop seems likely, even though farmers have already signed up to reduce plantings under the domestic allotment program by one million acres. Mainly responsible is the estimated 530 pound yield per acre from the 1965 crop -- up 13 pounds over the 1964 yield.
- (2) We believe disappearance will be higher for the 1965-66 season, with estimates of 9.5 million bales used domestically and exports of 5 million bales. In connection with exports, I might add that the 24th Plenary Meeting of the International Cotton Advisory Committee is now being held here in Washington. The prospects are reasonably bright for most of the principal cotton exporting countries to establish an international organization for the purpose of carrying out intensive cotton market development and utilization research programs in Western Europe and Japan. The United States, of course, strongly supports this move to increase demand for cotton in these important foreign markets.



- (3) Farm value of production from the 1965 crop, including domestic allotment payments but not cottonseed, is estimated at near \$2,250 million.
- (4) Carryover stocks on August 1, 1966, will rise to nearly 14 million bales.
- (5) Program expenditures probably will decline to about \$725 million.

This review of the 1964 and 1965 crop years points up the fact that the minimum national acreage allotment of 16 million acres is capable of producing more cotton than we are able under present conditions to consume domestically and export. And, of course, production of excessive supplies means added Government expenditures since the surplus moves into CCC's inventory through the loan program.

In the face of this situation the President, in his Farm Message, recommended that the 1964 Act be extended and improved, emphasizing the need for changes which would reduce stocks and costs.

It is desirable that new cotton legislation be enacted during this session of the Congress in order to be fully effective beginning with the 1966 crop year. Unless new legislation is enacted, it seems certain that returning to the provisions of law which would govern the 1966 programs would quickly erase the progress made during 1964 and 1965. The price support level for the 1966 crop would be established at not



less than 65 percent or more than 90 percent of the parity price and, even if it were assumed that the minimum level would be used, the support rate for Middling one-inch cotton would be close to 28 cents. In order to maintain exports in accordance with the provisions of section 203 of the Agricultural Act of 1956, it is assumed that an export subsidy of about 5 cents would be required. Thus, for the 1966-67 marketing year U.S. users of cotton would be called upon again to operate under the so-called "two-price system". This inequitable pricing structure would probably cause an accelerated shift to man-made fibers.

Although legislation is very necessary for the 1966 crop and subsequent crops, an extension of the present program without changes would ~~not~~ be enough to meet the problem. Both program costs and carryover would continue to increase, due mainly to increased yields. We estimate that the 1965 program applied to the 1966 crop without change would result in expenditures of about \$830 million and an increase in the carryover of more than a million bales. Changes are necessary, therefore, as indicated in the President's Message, to reduce these costs and surplus stocks.

The Cooley bill (H.R. 8149) would extend for an additional two years the provisions for cotton equalization payments and the domestic allotment program with certain modifications, as follows:

1. Equalization payments could be made to producers as well as others.
2. The minimum national acreage allotment would be reduced.





3. The domestic allotment payment rate could be larger.
4. Small farmers would be eligible for the additional price support payment whether cotton is planted or not.

The Department submitted its report on the bill to this Committee yesterday. I would like to quote some excerpts from that report:

"This bill, if enacted, will continue the one-price system for cotton. We think this is desirable. If domestic textile mills have to pay a higher price for cotton than their foreign competitors, this will encourage increased use of synthetic fibers and will cause increased imports of textiles."

\* \* \* \* \*

"This carryover of cotton at the end of the 1965-66 marketing year will be about 14 million bales and, if new legislation is not enacted, the 1966-67 ending carryover will be considerably higher than any previous record. If we are to avoid a continuing build-up of stocks, changes must be made in current legislation which will reduce the acreage planted to cotton. Yields have increased an average of over 15 pounds per acre per year since the end of World War II. At current domestic and export price levels, the estimated domestic consumption and exports for 1966 could be produced on around 12.5 to 13.0 million harvested acres. On the basis of present estimates for domestic consumption and exports in 1966-67, and since other legislation requires that historical yields (1961-1964) be used in determining the 1966 allotment, it now appears that the 1966 allotment would be around 14.5 million acres (including a national reserve of 310,000 acres), even though the minimum were reduced as provided in the bill.



"The provision which permits a larger domestic allotment payment will increase participation in the domestic allotment program. This will help to bring production in line with offtake. But since the total domestic allotment, which is based on past yields, will be almost 11 million acres (including the small farms which make no reduction), the domestic allotment program alone will not reduce production sufficiently to avoid the necessity for a reduction in the national allotment. The proviso for making domestic allotment payments to small farmers who have domestic allotments of 15 acres or less without requiring them to plant cotton will assist the small producers financially and will also help to reduce stocks of cotton.

"An additional possibility for achieving part of the necessary reduction in production of cotton is through a change in the regulations relating to skip-row planting which would provide that cotton planted in skip-row patterns would be counted against acreage allotments on a basis more nearly commensurate with the increased yields resulting therefrom.

"In summary, the changes made by this bill would be sufficient to accomplish the necessary reduction in production if they are accompanied by a change with respect to skip-row planting as indicated above. Otherwise, the reductions possible under this bill would not be sufficient.



"An essential requirement of cotton legislation is that it substantially reduce the cost of the cotton program. We believe that H.R. 8149 would be adequate to accomplish the reductions in program costs and carryover (with the change in skip-row) which are essential if the present cotton program is to be continued. Under this bill, expenditures for the cotton program would be reduced to about \$500 to \$600 million. However, we do not believe it provides the program changes which are necessary to assure the most effective marketing of cotton for export."

One of the most perplexing and difficult questions confronting us is what to do about cotton exports. Everyone agrees that our cotton should be offered for sale competitively in the world market. The question is: How is this to be done? Is it to be done by U. S. cotton growers producing for export on a competitive basis; or is it to be done by having the U.S. grower produce cotton for export at a price higher than the world price--protected by Government price support programs--then have the price lowered to competitive world levels at Government expense?

If it is the latter, the cost of this phase of the program over a period of years cannot be less than the difference between what the farmer gets and what the exporter pays, multiplied by the quantity of cotton exported.





The idea that this cost is not incurred by the Government if the cotton is already in CCC inventory is erroneous. It is true that the cost has already been incurred, at the time CCC acquired the cotton. However, if growers are to continue to produce additional cotton at a price higher than the price paid by exporters and domestic users, the Government will have to pay that difference or else pay the producer for the cotton at the higher price. If CCC is selling cotton from its inventories for whatever it can get for it, no one is going to pay the farmer a higher price for new-crop cotton. Thus, CCC will have to make an equalization payment on the new-crop cotton--about equal to the difference between the support price and the CCC selling price--or it will take the cotton in under the price support program. In either case, CCC at one time or another will bear the cost of bringing the price down from one level to the other.

It has been urged that CCC should announce that it will sell enough cotton to achieve annual exports of 6 million or even 7 million bales, for whatever price it can get. Let's look at the arithmetic of this. If 6 million bales of cotton were exported instead of 5 million, the export subsidy would be increased 20% even if the world price did not go down. If, in addition, exporting the additional million bales reduces the world price of cotton 3 cents a pound, as our



technical experts estimate it might, \$15 a bale Government cost is added on all the 6 million bales--another \$90 million. If, in addition, the price for domestic use must be brought down to the export price as is now the case, a corresponding \$15 a bale can be added for each of another 10 million bales--another \$150 million. Thus, the added cost to the Government of exporting the additional one million bales might well be in excess of \$250 million--twice the gross value of the million bales of cotton itself.

To export 7 million bales, our technical experts estimate it might be necessary to reduce the world price an additional 3 cents, bringing it down to between 16 cents and 17 cents a pound. To do this would require annual Government expenditures for the cotton program estimated at more than \$1.1 billion, in addition to \$356 million realized from a net reduction of 2.5 million bales in CCC inventory.

We should note that this would not be just a "one-shot" affair. If we could eliminate all our current surplus, it would still be necessary in the future to have offtake equal to production to keep the surplus from building up again. If production is to be 15 to 16 or 17 million bales, offtake will need to be 15 or 16 or 17 million bales. Under the kind of program we have now, the Government would have to continue bearing the cost of bringing all this cotton down from the price support level to the world price level.



And we could still be faced with the prospect that the world price would need to be near 17 cents to move this much cotton.

I would like to quote again from the Department's report on H.R. 8149.

"Under H.R. 8149, as under the present law, it will be inescapable that cotton export price levels will be closely managed by the Government, with Government subsidies being used to make it possible for U. S. cotton to compete in world markets and with Government funds being used to finance these subsidies. This places a heavy burden upon the Department to conserve Government funds and to observe rules of international trade so long as cotton is produced for export at a price above the world price.

"In order to increase substantially the use of U. S. cotton in competition with cotton grown in other countries and with manmade fibers abroad, market prices for U.S. cotton would have to drop substantially from their present levels. Under H.R. 8149, we would still be faced with a sharp rise in Government expenditures for the cotton program if we were to increase the equalization payments in order to lower market prices.

"Legislation which would authorize loans by CCC near world price levels with supplementary payments to producers





participating in the program would be more flexible and would enable the market to determine prices. Otherwise the price level would be directly tied to expenditures by the Government, as under present procedures. Under such a program, it might be possible to increase exports without so drastically increasing Government expenditures and still maintain farm income at reasonable levels.

"We emphasize that we do not think the Government should finance significantly larger exports of cotton at a high rate of subsidy. However, if, in the judgment of the Congress, farmers are willing to sacrifice world markets in exchange for high price supports and market prices which encourage the use of foreign growths of cotton and manmade fibers abroad, H.R. 8149 could make it possible to accomplish the necessary reductions in program expenditures and in the cotton carryover. Under the conditions outlined herein, we will not object to the enactment of H.R. 8149, although we would recommend a loan near world price levels with supplementary payments to producers participating in the program as an alternative which would be more beneficial to United States producers in the long run."

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Summary of data on COTTON

	U.S.	U.S. production (mil. bales)	Consumption (1,000 bales)	Exports (1,000 bales)	Ending carry-over (1,000)	CCC Ending Stocks (1,000)	Loans (1,000)	Acquired Market (1,000)	Spot or differential	Export subsidy or differential	Loan Rate M 1"	Foreign Free World Production (mil. bales)	Foreign Free World Consumption (mil. bales)	Foreign Free World Exports (mil. bales)	Foreign Free World U.S. Exports (mil. bales)	Cotton Acreage (acres)
1954.	21,379	13.5	8,730	3,445	11,028	8.1	2,308	1,648	35.0¢	--	34.03¢	15.9	18.7	7.2	19.2	43.5
1955.	18,113	14.6	9,085	2,194	14,399	9.8	7,257	6,038	35.4	1/	34.55	16.4	19.5	9.4	16.9	47.2
1956.	17,391	12.9	8,496	7,540	11,269	5.2	4,830	3,677	33.5	7.2	32.74	15.9	20.9	6.7	15.6*	45.9
1957.	17,585	10.8	7,900	5,707	8,615	2.9	3,657	2,464	34.4	6.2	32.31	16.9	20.4	6.9	13.5*	46.0
1958.	17,554	11.3	8,594	2,766	8,733	7.0	6,832	6,039	34.5	6.5	35.08	17.5	20.5	9.0	11.8*	46.8
1959.	17,346	14.4	8,879	7,178	7,404	5.0	335	26(A&B)	31.9	8.0	34.10(A) 28.40(B)	16.6	22.2	8.4	15.1	45.0
1960.	17,553	14.3	8,131	6,625	7,090	1.5	540	1(A&B)	31.0	6.0	32.42(A) 26.63(B)	19.0	23.5	8.5	15.2	46.0
1961.	18,458	14.3	8,783	4,908	7,741	4.7	4,850	3,247	33.7	8.5	33.04	19.5	23.6	8.9	15.6	48.3
1962.	18,101	14.7	8,258	3,348	11,016	8.0	6,853	4,744	33.5	8.5	32.47	21.9	23.2	10.9	15.5	48.8
1963.	16,250	15.0	8,468	5,661	12,131	10.2	8,088	6,029	33.2	8.5	32.47	21.9	24.3	10.5	14.1	49.7
1964.	16,200	15.0	9,400 Est.	4,500 Est.	13,350	10.1	7,300	5,200 Est.	30.8 Est.	6.5	30.00	22.4	24.9	10.8	14.0	49.8
1965.	16,200										29.00					

\* Acreage reserve program was in effect in U.S. in 1956 to 1958

1/ Export differential on 1 million bales averaged 7.5 cents per pound. There was no export differential on 1.2 million bales.



UPLAND COTTON - Estimates of Basic Data for 1963, 1964, 1965, and 1966

Item	(1)	(2)	(3)	(4)
	1963-Crop	1964-Crop	1965-Crop	Present Law
		March-1965		Extended-1966
		Outlook		
Acreage (thousands)			(29.0¢ + 4.35¢)	(29.0¢ + 4.35¢)
Allotted-----	16,200	16,200	16,200	16,200
Soil Bank--Conservation Reserve-----	562	450	396	350
Planted-----	14,700	14,729	14,100	14,300
Harvested-----	14,070	13,953	13,600	13,700
Yield: Pound Per Acre Harvested-----	517	517	530	545
Domestic Allotment (1,000 acres)-----	--	10,766	10,425	10,080
Domestic Allotment (percent)-----	--	67%	65%	63%
Domestic Allotment (1,000 bales)-----	--	--	--	--
Supply and Utilization (1,000 bales)				
Production-----	15,036	15,031	15,000	15,550
Beginning Stocks (Inc.Preseason Ginning)-----	11,016	12,125	13,350	13,950
Imports and City Crop-----	152	100	100	100
Domestic Disappearance-----	8,468	9,400	9,500	9,600
Exports-----	5,657	4,500	5,000	5,000
Ending Stocks-----	12,125	13,350	13,950	15,000
Support Price Per Pound (Middling 1-1/4)-----	32.47¢	30.0¢	29.0¢	29.0¢
Support Price Per Pound (Average of Crop)-----	31.70¢	29.3¢	28.3¢	28.3¢
Domestic Allotment Payment Rate-----	--	3.5¢	4.35¢	4.35¢
CCC Minimum Sales Price M-1" (Export or Dom.)				
Effective Price Domestic (Average of Crop)-----	32.0¢	23.0¢	23.0¢	23.0¢
Effective Price-Export (Average of Crop)-----	23.5¢	23.0¢	23.0¢	23.0¢
PIK Rate Per Pound-----	8.5¢	6.5¢	5.75¢	5.75¢
Producer Payments on Domestic Allot.Acreage-----	--	\$40	\$71	\$71
Farm Value of Production (Million Dollars)-----	\$2,420	\$2,250	\$2,175	\$2,255
Savings in Direct Cost on Acres Taken Out				
of Cotton (@ \$70 per bale)-----	--	--	--	--
Total of Production, Payments, and Savings-----	\$2,420	\$2,290	\$2,246	\$2,326





UPLAND COTTON - Comparison of Estimated Expenditures for 1963, 1964, 1965, and 1966

Fiscal Year	(1)	(2)	(3)	(4)
	1963-64	1964-65	1965-66	1966-67
	Actual	March Outlook	(29.0¢ + 4.35¢)	Present Law Extended
			-----Million Dollars-----	
Major Items of Receipts or Expenditures				
Loans Made-----	-1,266	-1,087.5	-1,029.5	-1,123.7
Loans Repaid-----	+288	+343.3	+253.7	+246.5
Sales Proceeds-----	+565	+638.9	+676.2	+676.2
Storage & Handling Charges-----	-54	-58.0	-56.0	-58.0
Subtotal - Price Support	-467	-163.3	-155.6	-259.0
Export subsidy-----	-23	-13.5	--	--
Cotton Products-----	-17	-3.5	--	--
Public Law 480-----	-170	-151.0	-151.0	-151.0
PIK-Equalization Payment (Domestic and Export)	--	-464.7	-345.0	-347.9
Interim Payments-----	-63	-25.0	--	--
Domestic Allotment Payments-----	--	2/ -57.0	-71.3	-71.2
Total Major Expenditures 1/ (Excluding Interest)	-740	-878.0	-722.9	-829.1
Change in CCC Stocks (6-30) (From Prior Year)-----	+1,650,000	+450,000	+350,000	+1,050,000

1/ Does not include miscellaneous expenses of about \$2 million primarily for cotton classing.

2/ Includes advance payments on 1965 domestic allotment program.



**BALES USED IN COMPUTING EXPENDITURES FOR VARIOUS PROGRAMS**

	(1)	(2)	(3)	(4)
Fiscal Year	1963-64	1964-65	1965-66	Present Law Extended-1966
			Thousand Bales	
		<u>30¢ + 3.5¢</u>	<u>29.0¢ + 4.35¢</u>	<u>29.0¢ + 4.35¢</u>
Loans beginning July 1-----	4,786	6,156	5,200	5,550
Loans Made-----	7,968	7,250	7,100 @ \$145.00:	7,750 @ \$145.00
Loans Repaid-----	1,880	(224 + 2,050)	(200 + 1,550)	(200 + 1,500)
Loans Acquired-----	4,718	5,932	5,000	5,350
Loans Ending June 30-----	6,156	5,200	5,550	6,250
Inventory July 1-----	4,136	4,403	5,800	5,800
Loans Acquired-----	4,718	5,932	5,000	5,350
Sales-----	4,451	4,535	5,000	5,000
Inventory Ending June 30-----	4,403	5,800	5,800	6,150
CCC Stocks June 30-----	10,559	11,000	11,350	12,400
CCC Stocks July 31-----	10,167	10,100	10,450	11,500
Free Stocks July 31-----	1,964	3,250	3,500	3,500
Carryover July 31-----	12,131	13,350	13,950	15,000
Effective Allotment Acres-----		(2,700 + 1,500)	(2,700 + 3,000)	(2,700 + 2,200)
Domestic Allotment Acres-----		(2,100 + 1,000)	(2,100 + 2,000)	(2,200 + 1,400)
Normal Yield & Payment Rate-----		385 @ 3.5¢	400 @ 4.35¢	455 @ 4.35¢
Domestic Allot.Reduction-----		-500	- 1,000	- 800
Sales				
Domestic PIK-----		2,535 @ \$147.50	2,500 @ \$142.50	2,500 @ \$142.50
Export-----		1,500 @ \$115.00	2,000 @ \$113.75	2,000 @ \$113.75
P. L. 480-----		500 @ \$185.00	500 @ \$185.00	500 @ \$185.00
PIK-Equalization Payment-----		14,300 @ 6.5¢	12,000 @ 5.75¢	12,100 @ 5.75¢



Cotton other than extra-long staple: Supply and distribution,  
United States, average 1935-39, 1945-49, and 1950 to date

Year beginning August 1	Supply				Distribution				
	Carryover beginning of season	Production	Net imports	City crop	Total	Consump- tion	Net exports	De- stroyed	Total
	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
Average 1935-39	8,288	12,750	110	---	21,148	6,858	5,297	57	12,212
Average 1945-49	5,814	11,902	122	23	17,862	8,913	3,927	34	12,874
1950	6,781	9,789	68	28	16,666	3/10,357	4,108	27	14,492
1951	2,196	14,983	26	40	17,244	3/9,116	5,515	35	14,666
1952	2,741	15,031	61	42	17,874	3/9,358	3,048	50	12,456
1953	5,511	16,295	50	43	21,899	8,475	3,760	75	12,311
1954	9,570	13,504	48	46	23,168	8,730	3,445	60	12,235
1955	11,028	14,591	51	47	25,718	3/9,085	2,194	---	11,278
1956	14,399	12,928	40	50	27,417	3/8,496	7,540	---	16,036
1957	11,269	10,783	41	58	22,151	3/7,900	5,707	---	13,607
1958	8,615	11,291	51	51	20,002	3/8,594	2,766	---	11,360
1959	8,733	14,435	48	50	23,266	8,879	7,178	---	16,058
1960	7,404	14,287	42	63	21,796	3/8,131	6,625	---	14,756
1961	7,090	14,323	68	64	21,546	3/8,783	4,906	---	13,689
1962	7,741	14,712	55	68	22,575	3/8,258	3,348	---	11,606
1963	11,016	15,036	4/48	102	26,204	3/8,468	5,661	---	14,129
1964	12,125	6/15,031	4/35	89	27,271				

1/ Includes in-season ginnings. Running bales except imports which are in bales of 500 pounds.

3/ Adjusted to a cotton marketing year basis, August 1-July 31. 4/ Imports for consumption. 5/ Preliminary and estimated. 6/ Crop Reporting Board report of May 10, 1965.





Special programs of the U.S. Government for financing cotton exports:  
Fiscal years 1961- 62 to 1964-65 1/

Program	1961-62			1962-63			1963-64			1964-65 <u>2/</u>		
	Value	Quantity		Value	Quantity		Value	Quantity		Value	Quantity	
	Mil. dol.	Mil. bales <u>3/</u>		Mil. dol.	Mil. bales <u>3/</u>		Mil. dol.	Mil. bales <u>3/</u>		Mil. dol.	Mil. bales <u>3/</u>	
Mutual Security Act	8.3	0.1	4/	---	4/	---	---	---	---	---	---	---
Export-Import Bank <u>5/</u>	57.4	.4		54.9	0.4		61.4	0.5		76.8	0.6	
Public Law 480 Title I	149.9	1.1		144.0	1.0		115.2	.9		110.6	.8	
Title II	6/	7/		---	---		---	---		---	---	
Title IV	6.9	.1		26.0	.2		5.4	7/		14.3	.1	
Total <u>8/</u>	222.6	1.6		224.9	1.7		182.0	1.4		201.7	1.4	
Barter	3.7	7/		0	0		20.3	0.2		9/ 37.7	9/ 0.3	

- 1/ Authorized for delivery, shipment and disbursement.  
2/ Preliminary. Includes carryover as of July 31, 1964 and all authorizations through **May 18** which may or may not be utilized in fiscal 1965. Does not include agreements for which authorizations have not been made.  
3/ Running bales partly estimated.  
4/ Mutual Security program discontinued.  
5/ Includes only amounts advanced by participants or disbursed by others at Export-Import Bank risk.  
6/ Less than \$50,000.  
7/ Less than 50,000 bales.  
8/ Totals made from unrounded data.  
9/ **July 1964-March 1965.**



Production and percentage distribution of cotton by regions,  
United States, 1930 to date

Crop year begin- ning Aug. 1	Production					Percentage of U. S. crop				
	West	South-	Delta	South-	United	West	South-	Delta	South-	
	1/	west	States	east	States	1/	west	States	east	
	2/	2/	3/	4/	5/	2/	2/	3/	4/	
	1,000	1,000	1,000	1,000	1,000					
	bales	bales	bales	bales	bales					
	500 lb.	500 lb.	500 lb.	500 lb.	500 lb.					
	gr. wt.	gr. wt.	gr. wt.	gr. wt.	gr. wt.	Pct.	Pct.	Pct.	Pct.	
1930	519	4,892	3,589	4,933	13,932	4	35	26	35	
1931	393	6,582	5,464	4,658	17,097	2	39	32	27	
1932	270	5,584	3,921	3,228	13,003	2	43	30	25	
1933	407	5,694	3,389	3,556	13,047	3	44	26	27	
1934	466	2,722	3,157	3,291	9,636	5	28	33	34	
1935	449	3,523	3,171	3,495	10,638	4	33	30	33	
1936	744	3,223	4,724	3,708	12,399	6	26	38	30	
1937	1,214	5,927	6,787	5,017	18,946	6	31	36	27	
1938	716	3,649	4,572	3,007	11,943	6	31	38	25	
1939	747	3,372	4,645	3,052	11,817	6	29	39	25	
1940	868	4,036	4,122	3,540	12,566	7	32	33	28	
1941	691	3,370	4,266	2,417	10,744	6	31	40	23	
1942	706	3,746	5,108	3,256	12,817	6	29	40	25	
1943	580	3,207	4,502	3,138	11,427	5	28	39	28	
1944	579	3,280	4,939	3,432	12,230	5	27	40	28	
1945	576	2,079	3,644	2,716	9,015	7	23	40	30	
1946	758	1,931	3,413	2,539	8,640	9	22	39	30	
1947	1,185	3,767	4,192	2,716	11,860	10	32	35	23	
1948	1,532	3,527	6,282	3,536	14,877	10	24	42	24	
1949	2,088	6,650	4,878	2,512	16,128	13	41	30	16	
1950	1,639	3,188	3,518	1,669	10,014	16	32	35	17	
1951	2,842	4,536	4,467	3,304	15,149	19	30	29	22	
1952	3,098	4,072	5,068	2,901	15,139	21	27	33	19	
1953	3,167	4,754	5,645	2,899	16,465	19	29	34	18	
1954	2,716	4,234	4,507	2,240	13,697	20	31	33	16	
1955	2,201	4,502	5,313	2,705	14,721	15	31	36	18	
1956	2,578	3,876	4,629	2,227	13,310	19	29	35	17	
1957	2,539	3,895	3,010	1,520	10,964	23	36	27	14	
1958	2,644	4,621	2,883	1,364	11,512	23	40	25	12	
1959	2,973	4,797	4,784	2,004	14,558	20	33	33	14	
1960	3,086	4,804	4,448	1,934	14,272	22	34	31	13	
1961	2,823	5,155	4,497	1,843	14,318	20	36	31	13	
1962	3,128	5,037	4,724	1,978	14,867	21	34	32	13	
1963	2,830	4,753	5,423	2,328	15,334	19	31	35	15	
1964 5/	2,821	4,409	5,483	2,467	15,180	19	29	36	16	

1/ West includes California, Arizona, New Mexico, and Nevada. 2/ Southwest includes Texas, Oklahoma, and Kansas. 3/ Delta includes Missouri, Arkansas, Tennessee, Mississippi, Louisiana, Illinois, and Kentucky. 4/ Southeast includes Virginia, North Carolina, South Carolina, Georgia, Florida, and Alabama. 5/ Crop report of May 10, 1965, Statistical Reporting Service.

Crop Reporting Board, Statistical Reporting Service.



Cotton: Acreage, planted and harvested, and yield per acre  
on harvested acreage, by regions, 1950 to date

Crop year beginning August 1	West 1/		Southwest 2/		Delta 3/		Southeast 4/		Total
	1,000 acres	Per- cent	1,000 acres	Per- cent	1,000 acres	Per- cent	1,000 acres	Per- cent	1,000 acres
Planted acreage 5/									
1950	1,051	5.6	8,130	43.1	5,740	30.4	3,945	20.9	18,866
1951	2,227	7.6	14,915	50.8	7,325	25.0	4,886	16.6	29,353
1952	2,398	8.5	13,710	48.9	6,858	24.4	5,099	18.2	28,065
1953	2,384	8.9	11,794	43.9	7,570	28.1	5,124	19.1	26,872
1954	1,546	7.7	9,239	46.1	5,576	27.8	3,691	18.4	20,052
1955	1,332	7.4	8,495	47.2	4,881	27.1	3,283	18.3	17,991
1956	1,338	7.8	8,054	47.2	4,605	27.0	3,080	18.0	17,077
1957	1,289	9.0	6,838	47.8	3,959	27.7	2,224	15.5	14,310
1958	1,323	10.7	6,105	49.3	3,369	27.2	1,582	12.8	12,379
1959	1,497	9.5	7,435	47.0	4,346	27.4	2,555	16.1	15,833
1960	1,619	10.1	7,455	46.4	4,433	27.5	2,573	16.0	16,080
1961	1,446	8.7	7,785	46.9	4,639	28.0	2,718	16.4	16,588
1962	1,454	8.9	7,595	46.6	4,573	28.1	2,671	16.4	16,293
1963	1,353	9.1	6,845	46.1	4,165	28.1	2,480	16.7	14,843
1964	1,341	9.0	6,839	46.1	4,182	28.2	2,477	16.7	14,839
1965	1,282	9.0	6,500	45.5	4,134	28.9	2,378	16.6	14,294
Harvested acreage									
1950	1,026	5.8	7,495	41.9	5,493	30.8	3,829	21.5	17,843
1951	2,179	8.1	13,335	49.4	6,650	24.7	4,785	17.8	26,949
1952	2,357	9.1	11,920	46.0	6,633	25.6	5,011	19.3	25,921
1953	2,347	9.6	9,920	40.8	7,028	28.9	5,046	20.7	24,341
1954	1,509	7.8	8,660	45.0	5,459	28.4	3,623	18.8	19,251
1955	1,287	7.6	7,690	45.5	4,746	28.0	3,205	18.9	16,928
1956	1,290	8.3	6,915	44.3	4,441	28.4	2,969	19.0	15,615
1957	1,248	9.2	6,445	47.5	3,683	27.2	2,182	16.1	13,558
1958	1,288	10.9	5,805	48.9	3,206	27.1	1,550	13.1	11,849
1959	1,459	9.7	6,975	46.1	4,195	27.7	2,488	16.5	15,117
1960	1,577	10.3	6,955	45.4	4,284	28.0	2,493	16.3	15,309
1961	1,409	9.0	7,205	46.1	4,404	28.2	2,616	16.7	15,634
1962	1,418	9.1	7,112	45.7	4,434	28.5	2,605	16.7	15,569
1963	1,310	9.2	6,440	45.3	4,042	28.5	2,420	17.0	14,212
1964 6/	1,309	9.3	6,250	44.5	4,080	29.0	2,421	17.2	14,060
Yield per acre on harvested acreage									
	West 1/		Southwest 2/		Delta 3/		Southeast 4/		United States
	Actual	Trend	Actual	Trend	Actual	Trend	Actual	Trend	Actual
	7/	7/	7/	7/	7/	7/	7/	7/	7/
	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds	Pounds
1950	764	657	204	195	307	345	209	281	269
1951	625	683	163	211	322	372	331	294	269
1952	629	721	164	220	366	392	277	302	280
1953	646	766	230	233	385	389	275	300	324
1954	862	806	235	246	395	404	296	323	341
1955	818	830	281	260	536	430	405	343	417
1956	957	865	269	279	499	449	359	347	409
1957	974	901	290	299	392	463	334	354	388
1958	983	947	382	311	430	477	422	364	466
1959	975	966	330	324	546	505	386	382	461
1960	937	987	331	331	497	516	371	391	446
1961	959		343		489		338		438
1962	1,056		339		510		363		457
1963	1,034		354		642		461		517
1964 6/	1,031		338		643		488		517

1/ West includes California, Arizona, New Mexico, and Nevada. 2/ Southwest includes Texas, Oklahoma, and Kansas. 3/ Delta includes Missouri, Arkansas, Tennessee, Mississippi, Louisiana, Illinois, and Kentucky. 4/ Southeast includes Virginia, North Carolina, South Carolina, Georgia, Florida and Alabama. 5/ Not adjusted for final acreage compliance with allotments. 6/ Crop Reporting Board report of May 10, 1965. 7/ Trend yield is 9-year centered average yield.

Crop Reporting Board, Statistical Reporting Service.





Domestic consumption of fibers: Total and per capita, 1940-1964

Year begin- ning Jan. 1	Popu- lation July 1/	Cotton			Wool			Rayon and acetate 2/			Non-cellulosic man-made fibers 2/			All fibers 3/		
		Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita	Total	Percent- age of fibers	Per capita
		Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.
1940	132.1	3,822.6	80.9	28.9	416.9	8.8	3.2	483.2	10.2	3.7	4.2	0.1	5/	4,726.9	35.8	35.8
1941	133.4	4,936.8	79.7	37.0	663.1	10.7	5.0	584.4	9.4	4.4	11.2	.2	0.1	6,195.6	46.4	46.4
1942	134.9	5,424.4	81.3	40.2	607.1	9.1	4.5	621.3	9.3	4.6	22.5	.3	.2	6,675.2	49.5	49.5
1943	136.7	5,008.9	79.4	36.6	604.9	9.6	4.4	663.7	10.5	4.9	34.5	.5	.3	6,312.0	46.2	46.2
1944	138.4	4,508.0	77.4	32.6	561.5	9.6	4.1	707.2	12.2	5.1	44.5	.8	.3	5,821.1	42.1	42.1
1945	139.9	4,248.8	75.0	30.4	604.6	10.7	4.3	766.7	13.5	5.5	48.0	.8	.3	5,668.1	40.5	40.5
1946	141.4	4,450.4	73.6	31.5	699.1	11.6	4.9	846.6	14.0	6.0	49.8	.8	.4	6,045.9	42.8	42.8
1947	144.1	3,915.7	70.8	27.2	668.1	12.1	4.6	901.1	16.3	6.3	45.8	.8	.3	5,530.7	38.4	38.4
1948	146.6	4,025.7	68.4	27.5	714.7	12.1	4.9	1,081.2	18.4	7.4	65.9	1.1	.5	5,887.5	40.2	40.2
1949	149.2	3,472.6	69.4	23.3	533.5	10.7	3.6	911.9	18.2	6.1	84.7	1.7	.6	5,002.7	33.5	33.5
1950	151.7	4,464.1	67.7	29.4	691.1	10.5	4.6	1,305.5	19.8	8.6	135.8	2.0	.9	6,596.5	43.5	43.5
1951	154.3	4,513.9	70.1	29.3	532.4	8.3	3.4	1,205.2	18.7	7.8	185.4	2.9	1.2	6,436.9	41.7	41.7
1952	157.0	4,165.4	68.1	26.5	548.3	9.0	3.5	1,162.3	19.0	7.4	236.0	3.9	1.5	6,112.0	38.9	38.9
1953	159.6	4,209.4	68.0	26.4	551.0	8.9	3.5	1,167.6	18.8	7.3	264.6	4.3	1.7	6,192.6	38.8	38.8
1954	162.4	3,885.6	67.7	23.9	439.6	7.6	2.7	1,105.7	19.3	6.8	310.0	5.4	1.9	5,740.9	35.4	35.4
1955	165.3	4,206.6	64.5	25.4	489.6	7.5	3.0	1,395.3	21.4	8.4	426.3	6.6	2.6	6,517.9	39.4	39.4
1956	168.2	4,216.0	66.0	25.1	526.2	8.2	3.1	1,166.6	19.0	6.9	477.3	7.5	2.8	6,386.1	38.0	38.0
1957	171.3	3,878.0	64.3	22.6	449.4	7.4	2.6	1,145.9	18.9	6.7	558.6	9.3	3.3	5,031.9	35.2	35.2
1958	174.1	3,729.0	63.9	21.4	416.7	7.2	2.4	1,113.5	19.1	6.4	573.6	9.8	3.3	5,832.8	33.5	33.5
1959	177.1	6/ 4,274.4	62.5	24.1	557.3	8.2	3.1	1,256.3	18.4	7.1	745.3	10.9	4.2	6,833.3	38.6	38.6
1960	180.7	6/ 4,232.8	64.6	23.4	538.5	8.2	3.0	1,031.8	15.7	5.7	754.6	11.5	4.2	6,557.5	36.3	36.3
1961	183.8	5/ 4,048.5	61.8	22.0	535.0	8.2	2.9	1,103.2	16.9	6.0	862.2	13.1	4.7	6,549.0	35.6	35.6
1962	186.7	4,277.5	59.8	22.9	570.4	8.0	3.1	1,232.9	17.2	6.6	1,075.3	15.0	5.8	7,156.1	38.3	38.3
1963 7/	189.4	4,136.7	56.1	21.8	558.7	7.6	2.9	1,418.5	19.2	7.5	1,264.8	17.1	6.7	7,378.7	39.0	39.0
1964 7/	192.1	4,332.5	55.2	22.6	489.5	6.2	2.5	1,486.6	18.9	7.7	1,544.2	19.7	8.0	7,852.8	40.9	40.9
1965																
1966																

1/ Bureau of the Census. Population continental United States as of July 1, including armed forces overseas. 2/ Includes fiber waste. 3/ Does not include silk and flax. 4/ Total consumption divided by population. 5/ Less than 0.05 pound.

6/ Includes picker lap. 7/ Preliminary.

"Domestic consumption" refers to mill consumption plus raw fiber equivalent of imported textile manufactures less raw fiber equivalent of exported textile manufactures.



Cotton: Average prices for Middling 1-inch, at designated spot markets, 1/ and farm prices, by months, United States, 1948 to date

Year be- ginning Aug. 1	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	June	July	Aver- age 2/
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
	Middling 1-inch												
1948	31.94	31.78	31.77	32.01	32.69	33.07	33.18	33.28	33.53	33.39	33.26	32.58	32.71
1949	31.51	30.47	30.15	30.42	31.19	32.02	33.01	32.96	33.48	33.91	34.74	37.89	32.65
1950	38.71	41.31	40.49	42.92	43.28	44.88	3/	45.80	45.84	45.90	45.88	40.59	43.23
1951	35.42	35.56	37.42	41.88	42.64	42.33	41.05	41.24	41.22	39.20	41.20	40.17	39.94
1952	40.20	39.50	37.24	35.39	33.81	33.34	33.86	34.21	33.93	34.29	33.99	34.14	35.32
1953	33.77	33.60	33.47	33.53	33.42	34.05	34.89	35.03	34.98	35.23	35.06	35.25	34.36
1954	34.90	35.30	35.21	34.74	34.95	35.09	35.19	34.64	34.62	35.11	35.30	35.13	35.02
1955	34.97	34.32	34.21	34.85	34.81	35.17	36.20	36.44	36.42	36.38	36.41	35.19	35.46
1956	33.01	33.07	33.19	33.19	33.15	33.41	33.77	33.82	33.89	33.97	33.97	33.99	33.53
1957	33.63	33.24	33.54	34.34	34.89	34.83	34.62	34.54	34.59	34.73	34.81	34.88	34.39
1958	34.83	34.70	34.75	34.75	34.41	34.31	34.28	34.37	34.56	34.62	34.52	33.55	34.47
1959	31.95	31.77	31.66	31.61	31.78	31.91	32.01	32.04	32.10	32.18	32.24	31.96	31.93
1960	30.75	30.52	30.22	30.19	30.16	30.14	30.41	31.07	31.41	51.80	32.22	32.65	30.96
1961	33.11	33.38	33.59	33.59	33.56	33.60	33.66	33.75	33.85	33.88	34.09	33.98	33.67
1962	33.36	33.02	33.01	32.98	33.13	33.42	33.75	34.04	34.11	34.13	33.91	33.43	33.52
1963	33.17	33.09	33.08	33.11	33.15	33.22	33.30	33.38	33.41	33.37	33.27	32.57	33.18
1964	31.20	30.67	30.58	30.58	30.57	30.56	30.63	30.72	30.77				
	American Upland prices received by farmers												
1948	30.41	30.94	31.07	30.52	29.63	29.27	29.14	28.74	29.91	29.97	30.13	30.08	30.38
1949	29.32	29.70	28.69	27.66	26.46	26.46	27.49	28.04	28.73	29.24	29.91	33.05	28.57
1950	36.95	39.98	38.80	40.97	40.05	41.01	41.74	42.00	42.53	42.25	42.02	39.11	39.90
1951	34.60	33.72	36.10	40.72	40.15	38.45	36.88	36.00	36.80	36.02	38.02	37.02	37.69
1952	37.92	39.11	36.77	34.05	31.71	29.79	30.19	31.52	31.45	31.73	31.51	31.87	34.17
1953	32.79	33.09	32.46	31.81	30.73	30.05	30.42	31.05	31.57	32.17	32.31	32.18	32.10
1954	34.00	34.55	34.67	33.17	32.67	32.51	31.69	31.87	31.93	31.51	31.43	32.11	33.52
1955	32.74	33.77	32.83	32.42	31.19	30.67	31.00	31.64	32.50	31.96	32.29	32.36	32.27
1956	31.13	32.50	31.94	31.88	30.99	30.21	30.16	29.80	30.55	31.47	31.89	32.29	31.63
1957	32.83	32.97	32.33	31.13	28.19	27.37	24.91	26.05	27.93	29.10	29.09	30.77	29.46
1958	33.22	34.54	33.26	32.38	30.29	28.23	28.76	30.56	31.65	32.19	32.81	34.28	33.09
1959	33.74	33.01	32.61	31.46	30.33	29.92	28.47	28.42	28.86	29.26	29.60	31.39	31.56
1960	32.34	32.26	31.53	30.08	28.76	27.69	27.02	28.92	30.61	30.67	30.88	31.45	30.08
1961	32.62	32.76	33.86	33.13	31.86	30.52	29.42	30.65	32.18	33.59	33.55	33.37	32.80
1962	32.59	33.19	32.59	31.77	30.97	30.35	30.92	32.48	33.06	32.59	32.51	31.84	31.74
1963	32.01	32.73	32.93	32.46	31.28	30.19	30.22	31.32	31.60	32.22	32.80	32.61	32.02
1964	30.57	30.59	30.95	30.12	29.30	27.65	27.62	28.65	29.48				

1/ Prices at 10 markets through 1954, 14 markets through July 1962, 15 markets thereafter. 2/ Simple average for Middling 1-inch, weight average for prices received by farmers. 3/ Market closed.

Cotton Division, AMS, Crop Reporting Board, SRS.



Domestic consumption 1/ of fibers 2/ in cotton equivalent pounds, 3/ 1940-1964

Year begin- ning Jan. 1	Popu- lation July 5/	Cotton			Wool			Rayon and acetate 4/			Non-cellulosic man-made fibers 4/			All fibers 2/		
		Total	Percent age of fibers :	Per :capita	Total	Percent age of fibers :	Per :capita	Total	Percent age of fibers :	Per :capita	Total	Percent age of fibers :	Per :capita	Total	Percent age of fibers :	Per :capita
		Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.	Mil. lb.	Pct.	Lb.
1940	132.1	3,826	80.5	28.9	229.3	4.8	1.7	692.4	14.6	5.2	7.1	0.1	0.1	4,751.4	36.0	36.0
1941	133.4	4,936.8	80.3	37.0	364.7	5.9	2.7	828.0	13.4	6.2	19.1	.4	.1	6,148.7	46.1	46.1
1942	134.9	5,424.4	81.3	40.2	333.9	5.0	2.5	878.9	13.2	6.5	37.6	.5	.3	6,674.8	49.5	49.5
1943	136.7	5,008.9	79.0	36.6	332.7	5.3	2.4	940.7	14.8	6.9	58.1	.9	.4	6,340.4	46.4	46.4
1944	138.4	4,508.0	76.4	32.6	308.8	5.2	2.2	1,009.8	17.1	7.3	74.9	1.3	.5	5,901.5	42.6	42.6
1945	139.9	4,248.8	73.7	30.4	332.5	5.8	2.4	1,104.9	19.1	7.9	80.9	1.4	.6	5,767.1	41.2	41.2
1946	141.4	4,450.4	72.6	31.5	384.5	6.3	2.7	1,212.3	19.8	8.6	82.8	1.3	.6	6,130.0	43.4	43.4
1947	144.1	3,915.7	69.4	27.2	367.4	6.5	2.5	1,280.3	22.7	8.9	78.5	1.4	.5	5,642.0	39.2	39.2
1948	146.6	4,025.7	66.4	27.5	393.1	6.5	2.7	1,534.8	25.3	10.5	112.7	1.8	.8	6,066.3	41.4	41.4
1949	149.2	3,472.6	66.4	23.3	293.4	5.6	2.0	1,318.0	25.2	8.8	146.1	2.8	1.0	5,230.1	35.1	35.1
1950	151.7	4,464.1	64.6	29.4	380.1	5.5	2.5	1,838.2	26.6	12.1	230.8	3.3	1.5	6,913.2	45.6	45.6
1951	154.3	4,513.9	66.3	29.3	292.8	4.3	1.9	1,684.3	24.7	10.9	314.8	4.6	2.0	6,805.8	44.1	44.1
1952	157.0	4,165.1	64.0	26.5	301.6	4.6	1.9	1,641.0	25.2	10.5	400.2	6.2	2.5	6,507.9	41.5	41.5
1953	159.6	4,209.4	63.5	26.4	303.0	4.6	1.9	1,656.8	25.0	10.4	460.0	6.9	2.9	6,629.2	41.5	41.5
1954	162.4	3,885.6	62.5	23.9	241.8	3.9	1.5	1,541.5	24.8	9.5	545.3	8.8	3.4	6,214.2	38.3	38.3
1955	165.3	4,206.6	58.5	25.4	269.3	3.8	1.6	1,962.1	27.3	11.9	750.6	10.4	4.5	7,188.6	43.5	43.5
1956	168.3	4,216.0	60.2	25.1	289.4	4.1	1.7	1,649.9	23.6	9.8	845.2	12.1	5.0	7,000.5	41.6	41.6
1957	171.3	3,878.0	57.5	22.6	247.2	3.7	1.4	1,613.4	23.9	9.4	1,001.6	14.9	5.8	6,740.2	39.3	39.3
1958	174.1	3,729.0	56.9	21.4	229.2	3.5	1.3	1,560.3	23.8	9.0	1,032.8	15.8	5.9	6,551.3	37.6	37.6
1959	177.1	4,274.4	55.6	24.1	306.5	4.0	1.7	1,770.8	23.0	10.0	1,342.4	17.4	7.6	7,694.1	43.4	43.4
1960	180.7	4,232.8	57.5	23.4	296.2	4.0	1.6	1,455.7	19.8	8.1	1,371.4	18.7	7.6	7,356.0	40.7	40.7
1961	183.8	4,048.5	54.5	22.0	294.3	3.9	1.6	1,529.7	20.6	8.3	1,560.5	21.0	8.4	7,433.0	40.4	40.4
1962	186.7	4,277.5	52.1	22.9	313.7	3.8	1.7	1,689.1	20.5	9.0	1,935.9	23.6	10.4	8,216.2	44.0	44.0
1963	189.4	4,136.7	48.1	21.8	307.3	3.6	1.6	1,900.8	22.1	10.0	2,251.0	26.2	11.9	8,595.7	45.4	45.4
1964	192.1	4,332.5	46.4	22.6	269.2	2.9	1.4	2,042.9	21.6	10.5	2,721.8	29.1	14.2	9,336.4	48.6	48.6

1/ "Domestic" consumption data derived by adjusting mill consumption for raw fiber equivalent of U. S. foreign trade in textile products and for consumption of man-made waste fiber. The trade balance for man-made textile fiber products was allocated on the basis of relative production figures computed from Textile Economics Bureau reports. The man-made fiber waste was allocated on the basis of information provided by Stanley Hunt of the Textile Economics Bureau, Inc. 2/ Does not include flax and silk. 3/ Based on cotton equivalent factors as follows: (a) regular and intermediate tenacity rayon and acetate filament yarn-1.51, (b) rayon and acetate staple fiber-1.10; (c) high tenacity rayon--prior to 1953-1.53, 1954-1.64, 1955-1.71, 1956-1.74, 1957-1.77, 1958 to date - 1.80. Wool fiber based on cotton equivalent factor-0.55. 4/ Includes man-made producers' waste fiber. 5/ Bureau of the Census. Population continental United States as of July 1, including Armed Forces overseas. 6/ Total divided by population and not a summation of per capita data.

7/ Includes picker lap reported by Bureau of the Census as raw fiber. 8/ Preliminary.





Fabric value, cotton price and mill margin, per pound, United States,  
by months, August 1960 to date

Month	Fabric value (20 constructions) 1/				Cotton price 2/				Mill margin 3/			
	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
1960	62.86	58.78	61.12	60.60	61.00	32.52	34.84	35.89	35.33	27.64	30.34	23.94
September	61.90	59.78	60.93	60.99	61.02	32.25	35.16	35.23	35.19	26.82	29.65	24.62
October	60.64	60.32	60.71	61.34	61.25	32.05	35.35	35.08	35.11	26.80	28.59	24.97
November	59.98	60.45	60.68	62.00	61.48	31.99	35.46	35.10	35.27	26.98	27.99	24.99
December	58.61	60.54	60.67	62.29	62.58	32.00	35.58	35.30	35.37	27.30	26.61	24.96
January	58.06	60.63	60.55	62.34	63.24	32.01	35.78	34.45	35.47	27.30	26.05	24.85
February	57.78	60.76	60.47	62.40	63.28	32.41	35.82	35.66	35.55	27.26	25.37	24.94
March	57.64	61.07	60.49	62.45	63.42	33.32	35.98	35.95	35.58	27.26	24.32	25.09
April	57.46	61.23	60.26	62.00	63.89	33.46	35.85	36.08	35.63	27.40	24.00	25.38
May	57.54	61.19	60.00	61.62		33.86	36.13	36.16	35.67		23.68	25.06
June	57.60	61.24	60.11	60.87		34.09	36.34	35.86	35.76		23.51	24.90
July	57.88	61.29	60.28	60.95		34.45	36.19	35.57	35.60		23.43	25.10
Crop-year average 4/	59.00	60.61	60.52	61.65		32.87	35.71	35.61	35.46		26.13	24.90
												24.91
												26.19

1/ The estimated value of cloth obtainable from a pound of cotton with adjustments for salable waste.

2/ Monthly average prices for four territory groups, even running lots, prompt shipments, delivered at Group 201 (Group B) mill points including landing costs and brokerage. Prices are for the average quality of cotton used in each kind of cloth. Beginning August 1964, prices are for cotton after equalization payments of 6.5 cents per pound have been made.

3/ Difference between cloth prices and cotton prices.

4/ Starts August 1 of the year indicated.

Cotton Division, Consumer and Marketing Service.



Mill consumption of fibers: Total and per capita, 1940-1964

Year begin- ning Jan. 1	Popula- tion July 1 1/	Cotton 2/			Wool 3/			Rayon and acetate 4/			Non-cellulosic man-made fibers 5/			Man-made fiber waste 6/			Flax 7/ and silk 8/			All fibers		
		Mill. lb.	Pct.	Per capita	Mill. lb.	Pct.	Per capita	Mill. lb.	Pct.	Per capita	Mill. lb.	Pct.	Per capita	Mill. lb.	Pct.	Per capita	Mill. lb.	Pct.	Per capita	Mill. lb.	Pct.	Per capita
1940	132.1	3,959.1	80.4	30.0	407.9	8.3	3.1	482.1	9.8	3.6	4.3	0.1	10/	12.3	0.2	0.1	59.7	1.2	0.5	4,925.3	37.3	0.5
1941	133.4	5,192.1	80.0	38.9	648.0	10.0	4.9	591.9	9.1	4.4	11.6	.2	0.1	14.0	.2	.1	35.3	.5	.3	6,492.8	48.7	.3
1942	134.9	5,633.1	81.4	41.8	603.6	8.7	4.5	620.8	9.0	4.6	23.1	.3	.2	15.0	.2	.1	23.2	.4	.2	6,918.8	51.3	.2
1943	136.7	5,270.6	79.5	38.6	636.2	9.6	4.7	656.1	9.9	4.8	35.3	.5	.3	21.4	.3	.2	13.6	.2	.1	6,633.2	48.5	.1
1944	138.4	4,790.4	77.3	34.6	622.8	10.0	4.5	704.8	11.4	5.1	45.8	.7	.3	21.9	.4	.2	9.5	.2	.1	6,195.2	44.8	.1
1945	139.9	4,515.8	75.1	32.3	645.1	10.7	4.6	769.9	12.8	5.5	49.8	.8	.4	25.4	.4	.2	8.4	.2	.1	6,014.4	43.0	.1
1946	141.4	4,809.1	73.7	34.0	737.5	11.3	5.2	875.5	13.4	6.2	53.2	.8	.4	25.6	.4	.2	26.1	.4	.2	6,527.0	46.2	.2
1947	144.1	4,665.6	72.5	32.4	698.2	10.8	4.9	987.9	15.4	6.9	51.4	.8	.4	18.6	.3	.1	12.0	.2	.1	6,433.7	44.6	.1
1948	146.6	4,463.5	69.7	30.4	693.1	10.8	4.7	1,149.4	17.9	7.8	71.7	1.1	.5	18.6	.3	.1	12.9	.2	.1	6,409.2	43.7	.1
1949	149.2	3,839.1	70.4	25.7	500.4	9.2	3.4	993.5	18.2	6.7	92.8	1.7	.6	15.6	.3	.1	10.1	.2	.1	5,451.5	36.5	.1
1950	151.7	4,682.7	68.3	30.9	634.8	9.3	4.2	1,350.0	19.7	8.9	140.5	2.0	.9	27.9	.4	.2	21.4	.3	.1	6,857.4	45.2	.1
1951	154.3	4,868.6	71.1	31.6	484.2	7.1	3.1	1,274.6	18.6	8.3	195.5	2.8	1.3	8.5	.1	.1	18.3	.3	.1	6,849.7	44.4	.1
1952	157.0	4,470.9	69.4	28.5	466.4	7.2	3.0	1,214.7	18.8	7.7	249.0	3.9	1.6	26.5	.4	.2	19.3	.3	.1	6,446.7	41.1	.1
1953	159.6	4,456.1	68.7	27.9	494.0	7.6	3.1	1,222.5	18.9	7.7	279.4	4.3	1.8	21.8	.3	.1	15.4	.2	.1	6,489.2	40.7	.1
1954	162.4	4,127.3	68.4	25.4	384.1	6.4	2.4	1,154.7	19.1	7.1	328.6	5.4	2.0	25.0	.4	.2	15.5	.3	.1	6,035.2	37.2	.1
1955	165.3	4,382.4	65.2	26.5	413.8	6.2	2.5	1,419.2	21.1	8.6	432.2	6.4	2.6	51.1	.8	.3	19.0	.3	.1	6,717.7	40.6	.1
1956	168.2	4,362.6	66.6	25.9	440.8	6.7	2.6	1,200.9	18.3	7.1	424.1	7.4	2.9	42.4	.7	.3	20.6	.3	.1	6,551.3	38.9	.1
1957	171.3	4,060.4	65.1	23.7	368.8	5.9	2.2	1,177.1	18.9	6.9	567.5	9.1	3.3	48.0	.8	.3	15.5	.2	.1	6,237.3	36.4	.1
1958	174.1	3,866.9	64.8	22.2	331.1	5.5	1.9	1,127.3	18.9	6.5	575.2	9.6	3.3	61.7	1.0	.4	9.4	.2	.1	5,971.5	34.3	.1
1959	177.1	4,334.5	63.3	24.5	435.3	6.4	2.5	1,252.5	18.3	7.1	741.4	10.8	4.2	70.9	1.0	.4	11.8	.2	.1	6,846.4	38.7	.1
1960	180.7	4,190.9	64.6	23.2	411.0	6.3	2.3	1,055.4	16.3	5.8	761.7	11.7	4.2	60.9	.9	.3	11.6	.2	.1	6,491.6	35.9	.1
1961	183.8	4,061.5	62.1	22.2	412.1	6.3	2.2	1,128.0	17.2	6.1	861.7	13.1	4.7	71.2	1.1	.4	12.7	.2	.1	6,567.2	35.7	.1
1962	186.7	4,188.0	59.4	22.4	429.1	6.1	2.3	1,263.1	17.9	6.8	1,076.6	15.3	5.8	79.5	1.1	.4	12.4	.2	.1	7,048.7	37.8	.1
1963	189.4	4,040.2	55.7	21.3	411.7	5.7	2.2	1,440.1	19.9	7.6	1,257.8	17.3	6.7	90.1	1.2	.5	13.1	.2	.1	7,253.0	38.3	.1
1964 11/	192.1	4,245.2	54.5	22.1	355.4	4.6	1.8	1,514.4	19.5	7.9	1,557.9	20.0	8.1	103.2	1.3	.5	10.4	.1	.1	7,786.5	40.5	.1

1/ Bureau of the Census. Population continental United States as of July 1, including Armed Forces overseas.

2/ Mill consumption as reported by the Bureau of the Census. For American cotton, tare as reported by the Crop Reporting Board has been deducted; for foreign cotton, 3 percent (15 pounds) was deducted, (20 pounds beginning August 1, 1958). Since 1950, data have been adjusted to year ended December 31.

3/ Includes apparel and carpet wool on a scoured basis. Data from Wool Consumption reports of the Bureau of the Census.

4/ Textile Organon, publication of the Textile Economics Bureau, Incorporated. Includes filament and staple fibers. Data are United States producers' domestic shipments, plus imports for consumption.

5/ Textile Organon. Nylon, orlon, glass fiber, etc. United States production less exports plus imports for consumption.

6/ Producers' man-made fiber waste consumed by mills, (excludes glass).

7/ Flax. Imports and estimated production. Bureau of the Census and Plant Industry through 1948. 1949-1952 production was estimated by the Agricultural Marketing Service, Portland, Oregon, office. Imports only since the 1953 season.

8/ Silk. Bureau of the Census. Net imports through 1933. Since 1934, imports for consumption.

9/ Total consumption divided by population and not a summation of per capita consumption of fibers.

10/ Less than 0.05 pound.

11/ Preliminary.



1964 UPLAND COTTON: Estimated Effective Allotments

State	Total	Size of Effective Allotment (acres) 1/										
		0.1-	5.0-	10.1-	15.0-	30.0-	50.0-	100.0-	200.0-	350.0-	500.0-	1,000
		4.9	10.0	14.9	29.9	49.9	99.9	199.9	349.9	499.9	999.9	& over
		Acres										
Alabama	966,687	71,698	177,532	117,165	199,254	117,794	120,194	88,388	40,050	19,714	12,047	2,851
Arizona	331,746	393	1,917	3,154	10,440	15,483	38,382	62,342	67,468	30,999	53,585	47,583
Arkansas	1,327,347	17,185	67,983	78,219	182,346	141,036	198,761	207,919	160,342	83,889	109,759	79,908
California	736,939	2,240	9,044	19,950	42,597	50,918	107,496	137,038	97,080	47,156	87,370	136,050
Florida	35,595	5,665	9,461	4,575	8,259	3,720	2,448	1,229	238	--	--	--
Georgia	832,783	29,796	100,298	79,067	197,956	141,055	139,718	95,452	28,899	11,924	8,618	--
Illinois	2,995	476	370	176	359	427	407	533	247	--	--	--
Kansas	22	--	22	--	--	--	--	--	--	--	--	--
Kentucky	7,192	748	789	462	1,097	1,395	1,279	1,175	247	--	--	--
Louisiana	566,962	12,036	50,818	41,265	91,087	63,590	88,724	87,289	68,959	26,051	26,413	10,730
Mississippi	1,548,709	50,490	135,245	102,606	196,197	123,927	173,987	207,376	220,336	126,512	129,252	82,781
Missouri	356,536	8,523	20,642	26,481	67,699	57,816	74,838	49,896	20,123	13,282	12,081	5,155
Nevada	3,522	--	10	--	45	--	198	1,542	--	--	689	1,038
New Mexico	171,104	1,646	5,883	6,110	23,368	28,358	45,388	33,850	15,367	3,372	6,557	1,205
No. Car.	458,203	63,926	84,183	48,298	86,454	54,346	60,677	37,977	14,785	2,361	2,770	2,426
Oklahoma	750,357	11,207	31,623	38,305	156,187	182,150	205,099	92,416	21,048	6,850	4,470	1,002
So. Car.	683,804	47,659	91,540	66,363	134,100	97,842	117,354	77,495	30,859	11,450	6,860	2,282
Tennessee	547,081	43,194	109,564	72,592	120,900	69,743	70,157	38,203	14,570	5,314	2,844	--
Texas	6,818,247	36,274	93,399	113,671	541,700	860,196	1,881,104	1,737,015	850,112	281,947	248,788	174,041
Virginia	17,202	6,363	4,895	1,874	2,082	1,038	720	230	--	--	--	--
United States	16,163,033	409,519	995,218	820,333	2,062,127	2,010,834	3,326,931	2,957,365	1,650,730	670,821	712,103	547,052

1/ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program.

ASCS/Policy and Program Appraisal Division

August 1964





State	No. of Effective Allotment. Farms	Size of Effective Allotments (acres) 1/											
		0.1- 4.9	5.0- 10.0	10.1- 14.9	15.0- 29.9	30.0- 49.9	50.0- 99.9	100.0- 199.9	200.0- 349.9	350.0- 499.9	500.0- 999.9	1,000 & over	
Alabama	966,687	7.4	18.4	12.1	20.6	12.2	12.4	9.2	4.1	2.0	1.3	0.3	
Arizona	331,746	0.1	0.6	1.0	3.1	4.7	11.6	18.8	20.3	9.3	16.2	14.3	
Arkansas	1,327,347	1.3	5.1	5.9	13.7	10.6	15.0	15.7	12.1	6.3	8.3	6.0	
California	736,939	0.3	1.2	2.7	5.8	6.9	14.6	18.6	13.2	6.4	11.8	18.5	
Florida	35,595	15.9	26.6	12.8	23.2	10.4	6.9	3.5	0.7	--	--	--	
Georgia	832,783	3.6	12.0	9.5	23.8	16.9	16.8	11.5	3.5	1.4	1.0	--	
Illinois	2,995	15.9	12.4	5.9	12.0	14.2	13.6	17.8	8.2	--	--	--	
Kansas	22	--	100.0	--	--	--	--	--	--	--	--	--	
Kentucky	7,192	10.4	11.0	6.4	15.3	19.4	17.8	16.3	3.4	--	--	--	
Louisiana	566,962	2.1	9.0	7.3	16.1	11.2	15.6	15.4	12.2	4.6	4.6	1.9	
Mississippi	1,548,709	3.3	8.7	6.6	12.7	8.0	11.2	13.4	14.2	8.2	8.4	5.3	
Missouri	356,536	2.4	5.8	7.4	19.0	16.2	21.0	14.0	5.6	3.7	3.4	1.5	
Nevada	3,522	--	0.3	--	1.3	--	5.6	43.8	--	--	19.6	29.4	
New Mexico	171,104	1.0	3.4	3.6	13.6	16.6	26.5	19.8	9.0	2.0	3.8	0.7	
North Carolina	458,203	14.0	18.4	10.5	18.9	11.9	13.2	8.3	3.2	0.5	0.6	0.5	
Oklahoma	750,357	1.5	4.2	5.1	20.8	24.3	27.4	12.3	2.8	0.9	0.6	0.1	
South Carolina	683,804	7.0	13.4	9.7	19.6	14.3	17.2	11.3	4.5	1.7	1.0	0.3	
Tennessee	547,081	7.9	20.0	13.3	22.1	12.7	12.8	7.0	2.7	1.0	0.5	--	
Texas	6,818,247	0.5	1.4	1.7	7.9	12.6	27.6	25.5	12.5	4.1	3.6	2.6	
Virginia	17,202	37.0	28.5	10.9	12.1	6.0	4.2	1.3	--	--	--	--	
United States	16,163,033	2.5	6.1	5.1	12.8	12.4	20.6	18.3	10.2	4.2	4.4	3.4	

1/ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program.

ASCS/Policy and Program Appraisal Division

August 1964



State	Total	Size of Effective Allotment (acres)										Number	1/				
		0.1-4.9	5.0-10.0	10.1-14.9	15.0-29.9	30.0-49.9	50.0-99.9	100.0-199.9	200.0-349.9	350.0-499.9	500.0-999.9		1,000 & over				
Alabama	78,469	27,858	25,260	9,782	9,819	3,107	1,770	641	169	42	19	2					
Arizona	2,957	174	247	245	466	391	541	449	265	77	75	27					
Arkansas	40,110	6,857	9,164	6,242	8,703	3,712	2,886	1,504	626	204	164	48					
California	9,913	910	1,145	1,496	1,968	1,276	1,497	959	372	110	128	52					
Florida	4,918	2,698	1,296	375	399	100	40	9	1	--	--	--					
Georgia	50,478	13,762	13,772	6,479	9,717	3,752	2,097	737	120	29	13	--					
Illinois	252	146	50	15	18	11	7	4	1	--	--	--					
Iowa	3	--	3	--	--	--	--	--	--	--	--	--					
Kentucky	723	456	115	37	52	35	19	8	1	--	--	--					
Louisiana	23,323	4,656	6,815	3,402	4,469	1,701	1,273	628	268	65	38	8					
Mississippi	64,235	18,691	18,775	8,338	9,566	3,460	2,524	1,502	832	301	194	52					
Missouri	13,871	2,761	2,764	2,094	3,133	1,512	1,102	372	79	32	18	4					
Nevada	19	--	1	--	3	--	2	11	--	--	1	1					
New Mexico	4,689	648	762	489	1,080	727	660	242	61	8	11	1					
North Carolina	50,442	27,567	11,928	3,992	4,245	1,449	905	283	61	6	4	2					
Oklahoma	28,064	4,863	4,208	3,083	7,250	4,734	3,092	720	88	17	8	1					
South Carolina	50,689	20,808	12,767	5,600	6,474	2,572	1,733	579	121	23	10	2					
Tennessee	46,853	16,843	15,011	5,841	5,893	1,851	1,046	291	60	13	4	--					
Texas	130,860	17,327	12,492	9,122	24,926	22,125	27,387	12,926	3,388	682	383	102					
Virginia	4,230	3,192	733	158	105	29	11	2	--	--	--	--					
United States	605,098	170,217	137,308	66,790	98,286	52,544	48,592	21,867	6,513	1,609	1,070	302					

1/ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment programs.

ASCS/Policy and Program Appraisal Division  
August 1964



1964 UPLAND COTTON: Percent of Effective Allotment Farms By Size Groups

State	No. of Farms	Size of Effective Allotment (acres) 1/											Percent										
		0.1-4.9	5.0-10.0	10.1-14.9	15.0-29.9	30.0-49.9	50.0-99.9	100.0-199.9	200.0-349.9	350.0-499.9	500.0-999.9	1,000 & over											
Alabama	78,469	35.5	32.2	12.5	12.5	3.9	2.3	0.8	0.2	0.1	*	*											
Arizona	2,957	5.9	8.4	8.3	15.7	13.2	18.3	15.2	9.0	2.6	2.5	0.9											
Arkansas	40,110	17.1	22.8	15.6	21.7	9.3	7.2	3.7	1.6	0.5	0.4	0.1											
California	9,913	9.2	11.5	15.1	19.8	12.9	15.1	9.7	3.8	1.1	1.3	0.5											
Florida	4,918	54.9	26.4	7.6	8.1	2.0	0.8	0.2	*	--	--	--											
Georgia	50,478	27.3	27.3	12.8	19.2	7.4	4.2	1.5	0.2	0.1	*	--											
Illinois	252	57.9	19.8	6.0	7.1	4.4	2.8	1.6	0.4	--	--	--											
Kansas	3	--	100.0	--	--	--	--	--	--	--	--	--											
Kentucky	723	63.1	15.9	5.1	7.2	4.9	2.6	1.1	0.1	--	--	--											
Louisiana	23,323	19.9	29.2	14.6	19.2	7.3	5.5	2.7	1.1	0.3	0.2	*											
Mississippi	64,235	29.1	29.2	13.0	14.9	5.4	3.9	2.3	1.3	0.5	0.3	0.1											
Missouri	13,871	19.9	19.9	15.1	22.6	10.9	8.0	2.7	0.6	0.2	0.1	*											
Nevada	19	--	5.3	--	15.7	--	10.5	57.9	--	--	5.3	5.3											
New Mexico	4,689	13.8	16.3	10.4	23.0	15.5	14.1	5.2	1.3	0.2	0.2	*											
North Carolina	50,442	54.7	23.6	7.9	8.4	2.9	1.8	0.6	0.1	*	*	*											
Oklahoma	28,064	17.3	15.0	11.0	25.8	16.9	11.0	2.6	0.3	0.1	*	*											
South Carolina	50,689	41.1	25.2	11.0	12.8	5.1	3.4	1.1	0.2	0.1	*	*											
Tennessee	46,853	36.0	32.0	12.5	12.6	4.0	2.2	0.6	0.1	*	*	*											
Texas	130,860	13.2	9.6	7.0	19.0	16.9	20.9	9.9	2.6	0.5	0.3	0.1											
Virginia	4,230	75.5	17.3	3.7	2.5	0.7	0.3	*	--	--	--	--											
United States	605,098	28.1	22.7	11.0	16.2	8.7	8.0	3.6	1.1	0.3	0.2	0.1											

\* Less than 0.05 percent.

1/ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment programs.

Page 1 of 1

Date: 1/1/2021

1/1/2021



1964 UPLAND COTTON: Estimated Original Allotments

State	Total	Size of Original Allotment (acres) 1/										
		0.1-	5.0-	10.1-	15.0-	30.0-	50.0-	100.0-	200.0-	350.0-	500.0-	1,000
		4.9	10.0	14.9	29.9	49.9	99.9	199.9	349.9	499.9	999.9	& Over
		Acres										
Alabama	969,059	110,231	219,782	119,864	182,550	102,884	102,721	73,724	37,202	11,461	6,066	2,574
Arizona	331,750	529	2,411	3,653	11,293	16,859	38,915	64,421	63,498	33,130	50,521	46,520
Arkansas	1,327,048	23,629	78,214	83,216	183,911	137,470	195,204	204,709	154,094	81,912	105,010	79,679
California	737,039	2,970	9,632	23,845	41,508	51,849	107,360	135,130	98,674	46,029	85,472	134,570
Florida	35,604	6,972	10,836	4,810	7,390	2,747	1,907	697	245	--	--	--
Georgia	835,276	48,324	146,282	98,063	200,276	125,428	117,984	64,988	20,419	9,491	4,021	--
Illinois	2,995	491	520	362	436	432	250	293	211	--	--	--
Kansas	22	--	22	--	--	--	--	--	--	--	--	--
Kentucky	7,192	1,040	821	301	1,083	1,323	1,208	1,169	247	--	--	--
Louisiana	567,227	16,462	65,881	46,091	93,272	64,286	87,257	83,149	55,588	22,946	23,870	8,425
Miss.	1,550,208	67,039	152,978	110,427	192,624	125,594	167,175	205,277	203,022	114,589	122,803	75,576
Missouri	356,550	9,392	20,192	26,238	67,929	57,746	74,656	49,841	20,061	13,267	12,069	5,159
Nevada	3,522	--	10	--	45	139	--	1,685	--	--	602	1,041
New Mexico	171,403	1,936	6,532	6,151	23,888	28,207	45,141	32,989	15,397	2,720	7,248	1,194
No. Car.	460,902	107,898	109,873	54,031	75,742	45,507	39,223	18,562	6,052	1,136	1,836	1,042
Oklahoma	751,158	16,050	56,255	56,509	179,511	167,503	169,449	77,238	17,462	6,592	4,589	--
So. Car.	685,405	65,933	113,750	76,909	134,681	94,384	103,687	58,569	23,651	6,351	7,490	--
Tennessee	547,174	59,977	106,968	67,368	115,583	67,867	69,093	37,770	15,072	4,576	2,900	--
Texas	6,832,347	39,895	139,214	180,192	771,292	971,090	1,813,355	1,575,982	733,364	250,982	212,662	144,319
Virginia	17,203	7,544	4,594	1,799	1,746	917	386	217	--	--	--	--
United States	16,189,084	586,312	1,251,767	952,822	2,284,760	2,062,232	3,134,975	2,686,510	1,470,259	605,182	647,159	500,099

1/ Original allotments refer to those established for all farms prior to release and reapportionment programs.

ASCS/Policy and Program Appraisal Division

August 1964



1964 UPLAND COTTON: Percent of Estimated Original Allotments for Farms By Size Groups

State	Total	Size of Original Allotment (acres) 1/												Percent	
		0.1- 4.9	5.0- 10.0	10.1- 14.9	15.0- 29.9	30.0- 49.9	50.0- 99.9	100.0- 199.9	200.0- 349.9	350.0- 499.9	500.0- 999.9	1,000 & Over			
Alabama	969,059	11.4	22.7	12.4	18.8	10.6	10.6	7.6	3.8	1.2	0.6	0.3			
Arizona	331,750	0.2	0.7	1.1	3.4	5.1	11.7	19.4	19.2	10.0	15.2	14.0			
Arkansas	1,327,048	1.8	5.9	6.3	13.9	10.3	14.7	15.4	11.6	6.2	7.9	6.0			
California	737,039	0.4	1.3	3.2	5.6	7.0	14.6	18.3	13.4	6.3	11.6	18.3			
Florida	35,604	19.6	30.4	13.5	20.8	7.7	5.3	2.0	0.7	--	--	--			
Georgia	835,276	5.8	17.5	11.7	24.0	15.0	14.1	7.8	2.5	1.1	0.5	--			
Illinois	2,995	16.4	17.4	12.1	14.6	14.4	8.3	9.8	7.0	--	--	--			
Kansas	22	--	100.0	--	--	--	--	--	--	--	--	--			
Kentucky	7,192	14.5	11.4	4.2	15.1	18.4	16.8	16.2	3.4	--	--	--			
Louisiana	567,227	2.9	11.6	8.1	16.4	11.3	15.4	14.7	9.8	4.1	4.2	1.5			
Mississippi	1,550,208	4.3	10.3	7.1	12.4	8.1	10.8	13.3	13.5	7.4	7.9	4.9			
Missouri	356,550	2.6	5.7	7.4	19.1	16.2	20.9	14.0	5.6	3.7	3.4	1.4			
Nevada	3,522	--	0.3	--	1.3	3.9	--	47.8	--	--	17.1	29.6			
New Mexico	171,403	1.1	3.8	3.6	13.9	16.5	26.3	19.3	9.0	1.6	4.2	0.7			
North Carolina	460,902	23.4	23.9	11.7	16.4	9.9	8.5	4.0	1.3	0.3	0.4	0.2			
Oklahoma	751,158	2.1	7.5	7.5	23.9	22.3	22.6	10.3	2.3	0.9	0.6	--			
South Carolina	685,405	9.6	16.6	11.2	19.7	13.8	15.1	8.5	3.5	0.9	1.1	--			
Tennessee	547,174	11.0	19.6	12.3	21.1	12.4	12.6	6.9	2.8	0.8	0.5	--			
Texas	6,832,347	0.6	2.0	2.6	11.3	14.2	26.6	23.1	10.7	3.7	3.1	2.1			
Virginia	17,203	43.9	26.7	10.5	10.1	5.3	2.2	1.3	--	--	--	--			
United States	16,189,084	3.6	7.8	5.9	14.1	12.7	19.4	16.6	9.1	3.7	4.0	3.1			

1/ Original allotments refer to those established for all farms prior to release and reapportionment program.

August 1964



## 1964 UPLAND COTTON: Number of Original Allotment Farms

State	Size of Original Allotment (acres) 1/											
	Total	0.1- 4.9	5.0- 10.0	10.1- 14.9	15.0- 29.9	30.0- 49.9	50.0- 99.9	100.0- 199.9	200.0- 349.9	350.0- 499.9	500.0- 999.9	1,000 & over
	-	-	-	-	-	-	-	-	-	-	-	-
Alabama	93,714	38,046	31,882	9,834	9,001	2,710	1,512	541	148	28	10	2
Arizona	3,218	221	318	293	510	429	555	465	248	80	72	27
Arkansas	44,244	9,104	10,733	6,669	8,815	3,605	2,834	1,486	596	195	159	48
California	10,467	1,203	1,216	1,783	1,868	1,299	1,493	945	376	106	126	52
Florida	5,589	3,167	1,547	394	373	75	27	5	1	--	--	--
Georgia	61,730	18,494	19,939	7,933	9,721	3,293	1,747	491	83	23	6	--
Illinois	335	198	72	27	20	11	4	2	1	--	--	--
Kansas	3	--	3	--	--	--	--	--	--	--	--	--
Kentucky	805	552	119	24	50	33	18	8	1	--	--	--
Louisiana	27,330	6,340	8,796	3,783	4,556	1,703	1,250	588	216	57	35	6
Mississippi	73,128	23,956	22,242	8,987	9,452	3,326	2,401	1,456	798	276	186	48
Missouri	14,006	2,945	2,738	2,073	3,141	1,505	100	371	79	32	18	4
Nevada	20	--	1	--	3	3	--	11	--	--	1	1
New Mexico	4,870	740	854	489	1,104	715	651	236	61	7	12	1
North Carolina	66,742	41,105	15,547	4,423	3,714	1,202	579	141	24	3	3	1
Oklahoma	34,198	6,147	7,570	4,538	8,353	4,355	2,545	593	72	17	8	--
South Carolina	59,332	26,269	15,736	6,279	6,512	2,461	1,521	436	93	15	10	--
Tennessee	51,332	22,081	14,976	5,489	5,632	1,780	1,013	284	61	12	4	--
Texas	152,618	16,608	18,545	14,288	36,009	25,070	26,487	11,672	2,911	611	331	86
Virginia	4,712	3,750	692	149	89	24	6	2	--	--	--	--
United States	708,393	220,926	173,526	77,455	108,923	53,599	45,743	19,733	5,769	1,462	981	276

1/ Original allotments refer to those established for all farms prior to release and reapportionment programs.

ASCS/Policy and Program Appraisal Division

August 1964





1964 UPLAND COTTON: Percent of Original Allotment Farms by Size Groups

State	No. of Original Allotment Farms	Size of Original Allotment (acres) 1/																						
		0.1- 4.9	5.0- 10.0	10.1- 14.9	15.0- 29.9	30.0- 49.9	50.0- 99.9	100.0- 199.9	200.0- 349.9	350.0- 499.9	500.0- 999.9	& over												
		Percent																						
Alabama	93,714	40.6	34.0	10.5	9.6	2.9	1.6	0.6	0.2	*	*	*	2.2	0.8	0.1	1.2	0.5							
Arizona	3,218	6.9	9.9	9.1	15.9	13.3	17.2	14.5	7.7	2.5	2.2	0.4	0.1	0.1	0.1	0.2	0.1							
Arkansas	44,244	20.6	24.3	15.1	19.9	8.1	6.4	3.4	1.3	0.4	0.4	0.1	1.3	0.4	0.2	0.1	0.1							
California	10,467	11.5	11.6	17.0	17.9	12.4	14.3	9.0	3.6	1.0	1.2	0.5	3.6	1.0	0.2	0.1	0.1							
Florida	5,589	56.7	27.7	7.0	6.7	1.3	0.5	0.1	*	--	--	--	--	--	--	--	--							
Georgia	61,730	30.0	32.3	12.9	15.8	5.3	2.8	0.8	0.1	*	*	*	0.1	*	--	--	--							
Illinois	335	59.1	21.5	8.1	5.9	3.3	1.2	0.6	0.3	--	--	--	--	--	--	--	--							
Kansas	3	--	100.0	--	--	--	--	--	--	--	--	--	--	--	--	--	--							
Kentucky	805	68.6	14.8	3.0	6.2	4.1	2.2	1.0	0.1	--	--	--	--	--	--	--	--							
Louisiana	27,330	23.2	32.2	13.8	16.7	6.2	4.6	2.2	0.8	0.2	0.1	*	0.1	*	0.1	0.1	0.1							
Mississippi	73,128	32.8	30.4	12.3	12.9	4.5	3.3	2.0	1.1	0.4	0.2	0.1	1.1	0.4	0.2	0.1	0.1							
Missouri	14,006	21.0	19.6	14.8	22.4	10.7	7.9	2.7	0.6	0.2	0.1	*	0.6	0.2	0.1	0.1	0.1							
Nevada	20	--	5.0	--	15.0	15.0	--	55.0	--	--	--	--	55.0	--	--	--	5.0	5.0						
New Mexico	4,870	15.2	17.5	10.0	22.7	14.7	13.4	4.9	1.3	0.1	0.1	0.2	1.3	0.1	0.1	0.2	0.2							
North Carolina	66,742	61.6	23.3	6.6	5.6	1.8	0.9	0.2	*	*	*	*	*	*	*	*	*	*						
Oklahoma	34,198	18.0	22.1	13.3	24.4	12.7	7.5	1.7	0.2	0.1	*	*	0.2	0.1	*	*	*							
South Carolina	59,332	44.3	26.5	10.6	11.0	4.1	2.6	0.7	0.2	*	*	*	0.2	*	--	--	--							
Tennessee	51,332	43.0	29.2	10.7	11.0	3.4	2.0	0.6	0.1	--	--	--	0.1	--	--	--	--							
Texas	152,618	10.9	12.1	9.4	23.6	16.4	17.4	7.6	1.9	0.4	0.2	0.1	1.9	0.4	0.2	0.1	0.1							
Virginia	4,712	79.6	14.7	3.2	1.9	0.5	0.1	*	--	--	--	--	--	--	--	--	--							
United States	708,393	31.2	24.5	10.9	15.4	7.6	6.5	2.8	0.8	0.2	0.1	*	0.8	0.2	0.1	0.1	0.1							

1/ Original allotments refer to those established for all farms prior to release and reapportionment programs.

\* Less than 0.05 percent.

ASCS/Policy and Program Appraisal Division

August 1964



UPLAND COTTON: NUMBER OF FARMS PLANTING AND ACRES PLANTED  
U. S. TOTALS BY SIZE GROUPS 1963 AND 1964

Size Group	1963		1964	
	Number of Farms	Acres Planted	Number of Farms	Acres Planted
0.1 - 4.9	106,034	277,429	108,069	270,416
5.0 - 10.0	114,207	767,433	113,190	767,247
10.1 - 14.9	58,866	684,923	59,377	692,976
15.0 - 29.9	88,545	1,765,582	86,947	1,672,316
30.0 - 49.9	48,302	1,757,535	48,251	1,712,733
50.0 - 99.9	46,191	3,043,027	46,277	2,976,012
100.0 - 199.9	20,949	2,726,048	21,205	2,711,354
200.0 - 349.9	6,370	1,524,108	6,441	1,560,641
350.0 - 499.9	1,627	634,584	1,606	635,743
500.0 - 999.9	1,025	643,131	1,067	681,727
1,000.0 and over	296	529,735	301	552,244
TOTAL	492,412	14,353,535	492,731	14,233,409

ASCS-PPA  
11-6-64



1964 UPLAND COTTON: FINAL PLANTED ACRES FY SIZE OF EFFECTIVE ALLOTMENT

STATE	TOTAL	SIZE OF EFFECTIVE ALLOTMENT (ACRES)											1/
		0.1- 4.9	5.0- 10.0	10.1- 14.9	15.0- 29.9	30.0- 49.9	50.0- 99.9	100.0- 199.9	200.0- 349.9	350.0- 499.9	500.0- 999.9	500.0-1,000.0	
													(Acres)
Alabama	831,551	53,880	147,028	106,695	168,090	100,289	107,917	77,958	38,810	16,097	11,908	2,879	
Arizona	330,214	367	1,602	3,102	10,142	15,409	37,444	64,008	68,035	29,469	52,803	47,833	
Arkansas	1,243,478	11,321	55,658	70,178	161,159	129,690	188,229	198,196	156,524	84,504	105,563	82,456	
California	742,547	1,118	7,289	17,941	40,028	48,545	102,841	135,147	97,814	45,579	86,778	159,467	
Florida	24,799	2,429	6,081	3,710	5,974	2,645	2,421	1,221	318	-	-	-	
Georgia	634,203	13,610	64,767	59,102	150,165	109,516	115,155	77,883	25,182	10,593	8,230	-	
Illinois	2,550	89	281	117	302	441	473	581	266	-	-	-	
Kansas	5	-	5	-	-	-	-	-	-	-	-	-	
Kentucky	6,353	312	594	454	993	1,318	1,257	1,175	250	-	-	-	
Louisiana	525,477	8,379	41,005	38,080	81,504	60,314	84,231	84,349	64,469	27,558	26,396	9,192	
Mississippi	1,464,938	35,781	115,827	93,432	175,248	122,323	165,392	209,953	214,980	125,311	130,318	76,373	
Missouri	349,216	7,311	18,809	26,432	66,410	56,627	73,976	48,912	20,523	12,285	11,827	6,104	
Nevada 2/													
New Mexico	161,495	1,563	5,222	6,367	20,936	26,955	43,140	30,153	14,927	3,279	6,500	2,453	
No. Carolina	386,517	46,785	70,445	42,366	72,759	47,163	52,659	33,483	13,961	2,867	3,012	1,017	
Oklahoma	583,584	2,893	16,669	27,673	114,108	143,642	171,138	78,934	17,900	6,376	3,154	1,097	
So. Carolina	540,067	30,249	64,913	54,745	101,556	78,624	98,332	66,750	28,271	8,199	6,214	2,214	
Tennessee	503,953	36,683	95,315	69,538	107,677	65,617	68,094	37,732	15,101	5,416	2,780	-	
Texas	5,887,699	12,086	51,616	71,318	393,742	702,602	1,662,727	1,564,685	783,310	258,210	226,244	161,159	
Virginia	14,763	5,560	4,121	1,726	1,523	1,013	586	234	-	-	-	-	
United States	14,233,409	270,416	767,247	692,976	1,672,316	1,712,733	2,976,012	2,711,354	1,560,641	635,743	681,727	552,244	

1/ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program. These were the final allotments for compliance purposes.

2/ Not available.





1964 UPLAND COTTON: NUMBER OF FARMS PLANTING COTTON BY SIZE OF EFFECTIVE ALLOTMENT

STATE	SIZE OF EFFECTIVE ALLOTMENT (ACRES)												
	TOTAL	0.1- 4.9	5.0- 10.0	10.1- 14.9	15.0- 29.9	30.0- 49.9	50.0- 99.9	100.0- 199.9	200.0- 349.9	350.0- 499.9	500.0- 999.9	1,000.0 and over	
							(Number)						
Alabama	64,865	19,724	21,855	9,102	8,861	2,800	1,684	608	168	41	20	2	
Arizona	2,833	109	227	236	453	379	532	451	267	75	77	27	
Arkansas	34,782	4,033	7,856	5,815	8,201	3,547	2,808	1,478	627	207	161	49	
California	9,113	352	1,021	1,445	1,930	1,260	1,472	966	376	109	127	55	
Florida	2,749	1,015	937	327	338	81	41	9	1	-	-	-	
Georgia	35,030	6,252	9,467	5,209	8,135	3,247	1,911	652	114	29	14	-	
Illinois	131	38	43	10	17	11	7	4	1	-	-	-	
Kansas	1	-	1	-	-	-	-	-	-	-	-	-	
Kentucky	362	120	93	37	50	34	19	8	1	-	-	-	
Louisiana	20,420	3,207	5,893	3,238	4,197	1,653	1,239	624	257	67	38	7	
Mississippi	56,690	13,504	17,310	7,983	9,181	3,370	2,468	1,497	833	297	197	50	
Missouri	13,112	2,178	2,668	2,111	3,060	1,500	1,087	372	82	30	19	5	
Nevada 2/													
New Mexico	4,421	570	715	509	992	706	629	218	61	8	11	2	
North Carolina	40,654	20,060	10,505	3,641	3,911	1,351	850	264	60	7	4	1	
Oklahoma	20,073	1,525	2,337	2,382	5,963	4,216	2,857	686	81	18	7	1	
South Carolina	36,669	12,271	9,780	4,743	5,405	2,261	1,530	528	118	21	10	2	
Tennessee	40,607	12,283	13,835	5,812	5,512	1,775	1,024	288	61	13	4	-	
Texas	106,963	8,463	8,021	6,635	20,657	20,032	26,110	12,550	3,333	684	378	100	
Virginia	3,256	2,365	626	142	84	28	9	2	-	-	-	-	
United States	492,731	108,069	113,190	59,377	86,947	48,251	46,277	21,205	6,441	1,606	1,067	301	

1/ Effective allotments refer to those established for all farms after any adjustments in farm allotments resulting from the release and reapportionment program. These were the final allotments for compliance purposes.

2/ Not available.







UPLAND COTTON: Preliminary Report on 1965 Allotments Released  
As Compared With Release of 1964 Allotments

State	1965			1964		1965
	Number of	Acreage	Estimated	Number	Total	Estimated
	Farms	Released	Acreage			Releases
	Releasing	by Date	Total to		Acreage	as Percent
	to Date	of Report	be	of Farms	Released	of 1964
			Released	Releasing		Released
	(1)	(2)	(3)	(4)	(5)	(6)
Alabama	15,528	106,284	106,284	20,953	137,240	77.4
Arizona	29	924	1,152	62	1,256	91.7
Arkansas	1,301	14,216	29,954	5,003	47,581	63.0
California	384	3,273	3,347	483	5,049	66.3
Florida	722	4,604	4,604	833	5,418	85.0
Georgia	9,806	88,494	100,279	15,598	134,679	74.5
Illinois	21	68	200	83	540	37.0
Kansas	--	--	--	--	--	--
Kentucky	39	124	185	97	241	76.8
Louisiana	4,343	40,613	40,613	5,593	49,470	82.1
Mississippi	3,093	22,382	36,846	13,976	93,016	39.6
Missouri	132	589	943	270	1,200	78.6
Nevada	1/	46	46	2	32	143.8
New Mexico	91	713	1,187	257	2,952	40.2
North Carolina	17,446	86,119	86,119	22,540	106,758	80.7
Oklahoma	2,455	30,946	75,000	7,719	99,298	75.5
South Carolina	9,046	65,603	65,603	12,355	88,225	74.4
Tennessee	3,075	11,010	12,046	5,223	19,937	60.4
Texas	23,223	580,412	580,412	31,296	725,728	80.0
Virginia	354	1,044	1,500	582	1,826	82.1
U. S.	91,088	1,057,464	1,146,320	142,925	1,520,446	75.4

1/ Not reported.

Prepared in Policy and Program Appraisal Division, ASCS, from State reports.

April 7, 1965





UPLAND COTTON: 1965 Participation and Acreage Reduction  
in the Domestic Allotment Program on Farms  
with Effective Allotments Above 15 Acres.

State	No. Effective Farm Allotments Above 15 Acres	No. Farms Signed Up	Acres of Effective Allotment on Farms	Acres of Domestic Allotment on Farms	Indicated Acreage Reduction
- - - - - A C R E S - - - - -					
Alabama	15,678	6,161	174,277	122,160	52,117
Arizona	2,196	285	56,156	36,808	19,348
Arkansas	17,424	4,835	185,622	130,760	54,862
California	5,979	407	11,483	8,597	2,886
Florida	638	256	7,260	5,086	2,174
Georgia	13,555	7,455	279,987	185,940	94,047
Illinois	43	9	456	292	164
Kansas	0	0	0	0	0
Kentucky	111	32	942	679	263
Louisiana	7,922	2,385	98,745	67,484	31,261
Mississippi	22,258	4,962	150,887	108,251	42,636
Missouri	6,231	1,558	46,047	33,268	12,779
Nevada	18	3	1,672	1,087	585
New Mexico	2,755	445	17,465	12,488	4,977
North Carolina	8,162	2,541	77,047	52,732	24,315
Oklahoma	15,465	5,244	205,346	135,279	70,067
South Carolina	11,255	5,655	210,235	141,322	68,913
Tennessee	8,841	2,635	55,375	44,693	10,682
Texas	104,250	19,246	1,428,411	907,712	520,699
Virginia	253	80	1,291	1,041	250
TOTAL	242,934	64,194	3,008,704	1,995,679	1,013,025



Procurement and Sales Division, ASCS  
May 19, 1965

SUMMARY OF COTTON EXPORT SALES PROGRAMS, 1955-56 THROUGH  
1958-59 MARKETING YEARS, AND REACTIVATION IN 1963-64 MARKETING YEAR

Marketing Year (1)	Announcement Numbers (2)	Total Adjusted Sales (3)	CCC Export Sales Price 1/				14-Markets*				Average Export Differential 2/ (7)
			Average Price	Min. Price	M-1" At	Price M-1" At	Av. Location	Av. Location	Av. Location	Av. Location	
			(4)	(5)	(6)	(7)					
		Bales	Cents per lb.	Cents per lb.	Cents per lb.	Cents per lb.					
1955-56	CN-EX-1 & NO-C-7	1,000,000	26.81	26.54	34.31	7.50					
1956-57	CN-EX-2 & NO-C-8	7,747,200	26.68	26.35	33.89	7.21					
1957-58	CN-EX-4 & NO-C-9	5,847,486	27.72	27.34	33.91	6.19					
1958-59	CN-EX-5 & NO-C-11	2,357,781	28.61	28.30	34.41	5.80					
1963-64	CN-EX-18 & NO-C-22	4,846,726	24.11	23.97	33.16	9.05					
1964-66 3/	CN-EX-25 & NO-C-29	559,442	24.35		30.42	6.07					
1964-66 4/	CN-EX-23, 24 & NO-C-28	614,885	24.47		30.41	5.94					

1/ Weighted by bales sold on offers opened under programs.

2/ Difference between CCC average export sales price (Col. 4) and average price for Middling 1-inch cotton in the 14\* designated markets on dates CCC export sales offers opened, converted to average location (Col. 6).

3/ Announced on September 9, 1964; 559,442 bales sold through offers of May 3, 1965.

4/ Announced on September 25, 1964; 614,885 bales sold through offers of May 3, 1965.

\* 15 markets on 8-1-63.

SUMMARY OF COTTON EXPORT PROGRAM - PAYMENT-IN-KIND

1958-59 MARKETING YEAR TO DATE

Marketing Year	Announcement Number	Payment Rate	Bales Registered 1/	Total Payments
		Cents per lb.	Bales	Dollars
1958-59	CN-EX-6	6.5	408,713	\$ 13,703,864.73
1959-60	CN-EX-7	8.0	7,126,280	290,633,122.67
1960-61	CN-EX-9	6.0	6,437,465	195,855,452.24
1961-62	CN-EX-13	8.5	4,979,254	216,953,404.69
1962-63	CN-EX-15	8.5	3,280,496	142,164,262.43
1963-64	CN-EX-19	8.5	33,641	1,458,159.74
1964-66	PS-CN-2 3/	6.5 3/	1,948,627	63,330,377.50 2/ 3/

1/ Under 1964-66 program, relates to proof of export received for cotton reported in terms of 500-pound bales.

2/ Through May 14, 1965.

3/ Announced on July 1, 1964, at initial rate of 6.50 cents per pound; estimated payments based on cotton exported at rate of payment in effect.



## Acreage of cotton in specified countries

Area	Average		1960	1961	1962	1963	1964 <sup>1/</sup>
	1934-38	1955-59					
	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	acres	acres	acres	acres	acres	acres	acres
United States <sup>4/</sup>	28,400	14,613	15,309	15,634	15,569	14,212	14,058
Mexico	679	2,270	2,234	2,020	2,064	1,964	1,924
Central America							
Nicaragua	8	209	151	185	230	285	325
Other	159	180	311	422	507	608	647
Total	167	389	462	607	737	893	972
South America							
Argentina	765	1,323	1,033	1,345	1,284	1,304	1,400
Brazil	5,181	4,320	5,000	5,500	5,500	5,750	6,000
Colombia	86	224	359	398	449	400	405
Peru	415	588	618	610	680	680	680
Other	186	282	267	284	367	355	355
Total	6,633	6,737	7,277	8,137	8,280	8,489	8,840
Europe							
Greece	153	383	409	510	508	570	350
Italy	---	104	55	54	54	40	---
Spain	43	454	618	788	855	650	490
Other	130	485	289	246	219	224	264
Total	326	1,426	1,371	1,598	1,636	1,484	1,104
Africa							
Central African Republic	---	375	408	395	400	400	---
Chad	---	580	592	618	750	715	---
Congo, Leopoldville	814	848	450	250	300	300	---
Egypt	1,843	1,858	1,944	2,062	1,720	1,689	1,672
Mozambique	2/202	744	763	773	750	775	775
Nigeria	2/188	790	800	800	800	800	800
Other	2,813	3,514	3,940	4,692	4,295	4,480	5,816
Total	5,860	8,709	8,897	9,590	9,015	9,159	9,063
Asia and Oceania							
Burma	461	336	379	468	475	500	550
India	3/24,682	19,720	18,871	18,710	19,230	19,600	19,700
Iran	402	656	800	985	1,000	988	980
Korea, South	---	208	125	120	79	61	---
Pakistan	3/	3,490	3,242	3,488	3,435	3,670	3,670
Syria	74	623	525	616	747	721	710
Turkey	621	1,554	1,534	1,604	1,631	1,553	1,650
Other	8,078	15,006	13,618	11,150	9,686	11,098	11,904
Total	34,318	41,593	39,094	37,141	36,283	38,191	39,164
Foreign Free World	1/41,778	46,249	45,951	48,348	48,795	49,571	49,758

1/ Preliminary. 2/ 4 year average. 3/ India includes Pakistan. 4/ Harvested acres.  
Foreign Agricultural Service.





## Cotton yields in specified countries

Continent and country	Average		1960	1961	1962	1963	1964 <sup>1/</sup>
	1934-38	1955-59					
	Pounds per acre	Pounds per acre	Pounds per acre	Pounds per acre	Pounds per acre	Pounds per acre	Pounds per acre
United States	212	428	447	440	457	517	524
Mexico	227	430	451	474	564	515	568
Central America							
Nicaragua	<sup>2/</sup> 274	423	464	662	710	691	738
Other	103	629	491	510	581	549	588
Total	112	518	482	556	621	594	638
South America							
Argentina	171	196	264	177	232	166	182
Brazil	165	166	187	220	204	192	184
Colombia	135	330	410	434	401	402	379
Peru	432	423	431	515	476	441	459
Other	168	148	137	145	127	150	166
Total	183	199	228	243	238	216	213
Europe							
Greece	218	338	338	422	387	362	446
Italy	---	208	227	213	160	288	---
Spain	119	221	256	298	290	329	338
Other	196	119	228	139	232	189	236
Total	198	217	273	310	308	319	348
Africa							
Central African Republic	---	81	59	55	60	54	---
Chad	---	83	130	59	102	111	---
Congo, Leopoldville	88	138	133	144	120	96	96
Egypt	477	467	542	359	586	577	652
Mozambique	<sup>2/</sup> 78	105	103	118	86	105	124
Nigeria	<sup>2/</sup> 85	100	156	99	150	132	126
Other	115	152	147	153	174	141	141
Total	224	201	225	179	227	210	241
Asia and Oceania							
Burma	<sup>2/</sup> 103	104	95	97	91	62	79
India	100	97	118	105	122	127	119
Iran	205	224	274	258	204	257	257
Korea, South	---	129	111	168	164	142	---
Pakistan	287	189	207	207	236	254	248
Syria	165	340	467	446	443	466	507
Turkey	186	228	243	284	318	355	349
Other	201	237	239	230	249	221	248
Total	126	166	180	169	184	165	190
Foreign Free World	<sup>2/</sup> 141	173	198	193	216	212	217

<sup>1/</sup> Preliminary. <sup>2/</sup> 4-year average.

Foreign Agricultural Service.



## Cotton production in specified countries

Continent and country	Average		1960	1961	1962	1963	1964 1/
	1934-38	1955-59					
	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
United States	12,712	13,013	14,272	14,318	14,867	15,334	15,173
Mexico	317	2,032	2,100	1,995	2,425	2,109	2,275
Central America							
Nicaragua	5	184	146	255	340	410	500
Other	34	236	318	448	614	696	792
Total	39	420	464	703	954	1,106	1,292
South America							
Argentina	275	539	569	496	620	450	530
Brazil	1,793	1,490	1,950	2,525	2,340	2,300	2,300
Colombia	23	154	307	360	375	335	320
Peru	372	518	555	655	675	625	650
Other	65	87	76	86	97	111	123
Total	2,528	2,788	3,457	4,122	4,107	3,821	3,923
Europe							
Greece	70	270	288	448	410	430	325
Italy	—	45	26	24	18	24	—
Spain	10	209	330	490	517	445	345
Other	53	120	137	71	106	88	130
Total	133	644	781	1,033	1,051	987	800
Africa							
Central African Republic	—	63	50	45	50	45	—
Chad	—	100	160	76	160	165	160
Congo, Leopoldville	153	243	125	75	75	60	40
Egypt	1,846	1,807	2,196	1,542	2,101	2,029	2,271
Mozambique	—	162	164	190	135	170	200
Nigeria	37	164	260	165	250	220	210
Other	672	1,115	1,210	1,491	1,556	1,318	1,709
Total	2,737	3,654	4,165	3,584	4,327	4,007	4,550
Asia and Oceania							
Burma	95	73	75	95	90	65	90
India	2/5,168	3,991	4,630	4,075	4,900	5,200	4,900
Iran	158	306	456	530	425	530	525
Korea, South	—	56	29	42	27	18	—
Pakistan	2/	1,376	1,398	1,505	1,690	1,940	1,900
Syria	25	441	511	572	689	700	750
Turkey	240	738	775	950	1,080	1,150	1,200
Other	3,391	7,402	6,777	5,341	5,033	5,110	6,145
Total	9,077	14,383	14,651	13,110	13,934	14,713	15,510
Foreign Free World	3/12,300	16,643	18,986	19,479	21,928	21,932	22,339

1/ Preliminary. 2/ India includes Pakistan. 3/ 3-year average.

Foreign Agricultural Service.



Mill consumption of cotton, wool and man-made fibers, total and percent of total by fiber, 1952-63

Calendar year	Cotton	Wool	Man-made	Total	Cotton	Wool	Man-made	Total
<u>United States 1/</u>								
1952	4,470.9	466.4	1,490.2	6,427.5	69.5	7.3	23.2	100.0
1953	4,456.1	494.0	1,523.7	6,473.8	68.9	7.6	23.5	100.0
1954	4,127.3	384.1	1,508.3	6,019.7	68.6	6.4	25.0	100.0
1955	4,382.4	413.8	1,902.5	6,698.7	65.4	6.2	28.4	100.0
1956	4,362.6	440.8	1,727.4	6,530.8	66.8	6.7	26.5	100.0
1957	4,060.4	368.8	1,792.6	6,221.8	65.3	5.9	28.8	100.0
1958	3,866.9	331.1	1,764.2	5,962.2	64.8	5.6	29.6	100.0
1959	4,334.5	435.3	2,064.8	6,834.6	63.4	6.4	30.2	100.0
1960	4,190.9	411.0	1,878.0	6,479.9	64.7	6.3	29.0	100.0
1961	4,081.5	412.1	2,060.9	6,554.5	62.3	6.3	31.4	100.0
1962	4,188.0	429.1	2,419.2	7,036.3	59.5	6.1	34.4	100.0
1963 2/	4,040.2	411.7	2,788.0	7,239.9	55.8	5.7	38.5	100.0
1964 2/	4,245.2	355.4	3,175.5	7,776.1	54.6	4.6	40.8	100.0
<u>Foreign Free World 3/</u>								
1952	7,520.8	1,583.6	1,874.7	10,979.1	68.5	14.4	17.1	100.0
1953	8,261.7	1,806.7	2,347.9	12,416.3	66.5	14.6	18.9	100.0
1954	8,973.2	1,737.2	2,799.4	13,509.8	66.4	12.9	20.7	100.0
1955	8,954.9	1,797.2	3,002.2	13,754.3	65.1	13.1	21.8	100.0
1956	9,516.2	1,934.3	3,539.5	14,990.0	63.5	12.9	23.6	100.0
1957	10,092.4	2,028.2	3,800.0	15,920.6	63.4	12.7	23.9	100.0
1958	9,729.3	1,826.3	3,443.2	14,998.8	64.9	12.2	22.9	100.0
1959	10,046.6	2,165.4	3,968.0	16,180.0	62.1	13.4	24.5	100.0
1960	10,847.3	2,096.1	4,264.2	17,207.6	63.0	12.2	24.8	100.0
1961	11,440.6	2,155.9	4,522.3	18,118.8	63.1	11.9	25.0	100.0
1962	11,147.6	2,140.0	4,949.8	18,237.4	61.1	11.7	27.2	100.0
1963 2/	11,463.0	2,147.1	5,535.1	19,145.2	59.9	11.2	29.0	100.0

1/ Data from Economic Research Service, U.S. Department of Agriculture.

2/ Preliminary.

3/ Data from International Cotton Advisory Committee.













Mill consumption of cotton, wool and man-made fibers, total and percent of total by fibers, 1952-63

Calendar year	Cotton	Wool	Man-made	Total	Cotton	Wool	Man-made	Total
<u>United Kingdom 1/</u>								
1952	694.4	385.8	246.9	1,327.1	52.3	29.0	18.7	100.0
1953	814.6	496.0	376.9	1,687.5	48.3	29.4	22.3	100.0
1954	883.4	471.6	401.3	1,756.3	50.3	26.8	22.9	100.0
1955	774.3	486.3	394.6	1,655.2	46.8	29.4	23.8	100.0
1956	733.2	492.1	423.3	1,648.6	44.5	29.8	25.7	100.0
1957	759.9	500.2	449.8	1,709.9	44.4	29.2	26.4	100.0
1958	631.8	460.1	372.5	1,464.4	43.1	31.4	25.5	100.0
1959	639.1	509.3	439.6	1,588.0	40.2	32.1	27.7	100.0
1960	613.8	481.3	526.9	1,622.0	37.8	29.7	32.5	100.0
1961	551.2	472.0	604.0	1,627.2	33.9	29.0	37.1	100.0
1962	489.6	448.4	670.6	1,608.6	30.4	27.9	41.7	100.0
1963 2/	503.1	457.9	798.5	1,759.5	28.6	26.0	45.4	100.0
<u>Japan 1/</u>								
1952	905.4	99.2	396.2	1,400.8	64.6	7.1	28.3	100.0
1953	1,075.0	125.2	518.3	1,718.5	62.6	7.3	30.1	100.0
1954	1,107.2	110.0	635.4	1,852.6	59.8	5.9	34.3	100.0
1955	998.5	126.5	744.5	1,869.9	53.5	6.8	39.7	100.0
1956	1,248.0	170.6	955.0	2,373.6	52.6	7.2	40.2	100.0
1957	1,338.4	188.3	1,016.5	2,543.2	52.6	7.4	40.0	100.0
1958	1,103.2	161.4	768.7	2,033.3	54.3	7.9	37.8	100.0
1959	1,250.9	239.0	970.6	2,460.5	50.8	9.7	39.5	100.0
1960	1,478.2	281.3	1,087.9	2,847.4	51.9	9.9	38.2	100.0
1961	1,741.6	325.2	1,164.0	3,230.8	53.9	10.1	36.0	100.0
1962	1,443.4	297.4	1,170.4	2,911.2	49.6	10.2	40.2	100.0
1963 2/	1,469.8	302.3	1,330.7	3,102.8	47.4	9.7	42.9	100.0





Cotton exports from specified countries  
(Bales of 500 pounds gross weight)

Continent and country	Average		1960	1961	1962	1963 1/	1964 2/
	1934-38	1955-59					
	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales	1,000 bales
United States	5,296	5,297	6,858	5,056	3,429	5,775	4,500
Mexico	95	1,573	1,610	1,482	1,897	1,426	
Central America							
Nicaragua	---	196	139	242	288	410	
Other	---	208	231	345	542	609	
Total	---	404	370	587	830	1,019	
South America							
Argentina	133	3/33	66	141	216	100	
Brazil	1,065	419	695	847	1,145	1,023	
Colombia	---	4/30	119	143	115	45	
Peru	337	442	478	576	590	509	
Other	---	0	20	29	32	47	
Total	---	924	1,378	1,736	2,098	1,724	
Europe							
Greece	---	160	150	302	238	263	
Italy	---	---	---	---	---	---	
Spain	---	0	0	0	100	60	
Other	---	5	5	8	4	6	
Total	---	165	155	310	342	329	
Africa							
Central African Republic	---	---	---	---	---	---	
Chad	---	---	---	---	---	---	
Congo, Leopoldville	5/133	199	120	85	28	28	
Egypt	1,746	1,366	1,582	1,121	1,361	1,385	
Mozambique	5/25	141	210	154	184	115	
Nigeria	---	146	181	168	128	160	
Other	---	1,227	1,128	1,272	1,491	1,617	
Total	---	3,079	3,221	2,800	3,192	3,305	
Asia and Oceania							
Burma	6/	58	49	69	69	---	
India	6/2,779	309	224	253	287	231	
Iran	30	187	245	266	220	332	
Korea, South	5/47	0	0	0	0	0	
Pakistan	6/	464	244	299	683	689	
Syria	5/11	383	445	474	614	608	
Turkey	5/84	246	286	458	568	587	
Other	---	284	233	172	130	215	
Total	---	1,931	1,726	1,991	2,571	2,662	
Foreign Free World	7,541	8,075	8,460	8,906	10,930	10,529	10,800

1/ Preliminary and partly estimated. 2/ Estimated. 3/ 4-year average  
4/ 1 year available. 5/ Calendar years. 6/ India includes Burma and Pakistan.

Foreign Agricultural Service.



--Cotton: Average prices 1/ of selected growths and qualities, c.i.f. Liverpool, England, annual 1961-64, **March-April 1965**

Date, year and month	M 1"		M 1-1/32		SM 1-1/32"		SM 1-1/16"		SM 1-1/8"			
	U.S.	: Pakistan : 289 F	U.S.	: Mexico	Nicaragua	U.S.	: Syria	U.S.S.R.	U.S.	: Iran	U.S.	: Uganda : B.P. 52
Equivalent U.S. cents per pound												
1961	28.81	32.26	28.86	29.16	28.76	29.81	30.12	31.19	30.78	30.66	32.23	36.46
1962	28.62	32.35	29.26	28.45	28.29	29.92	29.46	30.05	30.55	30.28	32.00	35.03
1963	27.29	28.66	28.01	28.21	27.60	29.38	28.82	29.35	29.54	29.46	31.36	35.11
1964	26.96	27.82	27.74	28.60	27.64	28.55	28.44	30.02	29.37	29.87	31.35	37.22
1964												
March	27.05	26.56	27.86	28.87	27.93	28.68	29.84	30.40	29.44	30.82	31.78	36.61
April	27.17	27.36	27.99	28.76	28.08	28.81	27.82	30.21	29.68	30.91	31.72	37.38
1965												
January	27.28	29.36	28.09	28.16	26.76	28.90	28.52	29.89	29.66	29.08	31.46	39.37
February	27.35	31.36	28.20	28.25	26.39	29.02	28.70	29.82	29.70	29.28	31.66	37.80
March	27.42	32.03	28.24	28.23	26.33	29.05	28.62	29.74	29.69	29.60	32.02	36.21
April	27.49	33.07	28.31	28.29	26.70	29.13	28.50	29.72	29.77	29.71	32.10	35.28
1/ Generally for prompt shipment. Prices for certain qualities were computed using value differences. 2/ Not quoted.												

1/ Generally for prompt shipment. Prices for certain qualities were computed using value differences. 2/ Not quoted.

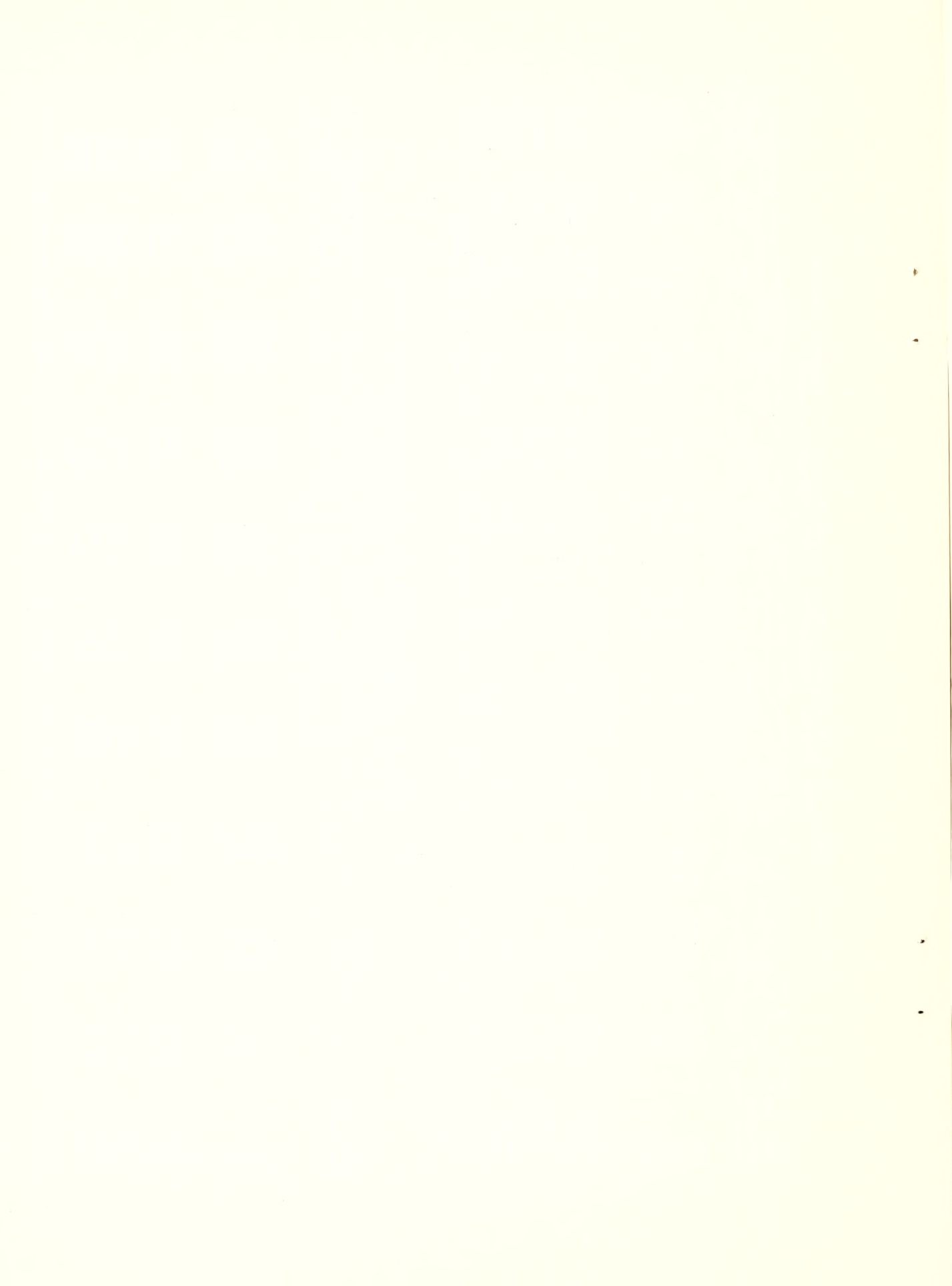
Foreign Agricultural Service.

--Cotton: Average prices 1/ of selected growths and qualities, c.i.f. Bremen, Germany, annual 1961-64, **March-April 1965**

Date, year and month	M 1-1/32"		SM 1-1/32"		SM 1-1/16"		SM 1-1/8"			
	U.S.	Mexico	Nicaragua	U.S.	Syria	U.S.	U.S.S.R. 2/	Iran	U.S.	Uganda B.P. 52
Equivalent U.S. cents per pound										
1961	28.89	29.25	28.72	29.90	31.36	30.74	30.93	29.98	32.67	35.60
1962	28.65	28.57	28.07	29.35	30.51	30.26	29.66	29.94	32.15	35.53
1963	28.02	28.37	27.60	29.03	30.30	29.71	29.13	29.35	31.36	33.77
1964	27.65	28.12	27.36	28.72	30.41	29.54	29.94	29.64	31.64	35.52
1964										
March	27.85	28.22	28.07	28.98	30.96	29.69	30.06	29.73	31.57	36.00
April	27.90	28.30	27.78	28.92	31.08	29.70	30.03	29.75	31.60	36.20
1965										
January	27.30	27.90	26.74	28.40	29.51	29.30	29.50	29.68	32.08	35.96
February	27.30	27.78	26.30	28.45	29.40	29.38	29.25	29.70	32.20	34.88
March	27.30	27.83	26.16	28.50	29.44	29.45	29.12	29.71	32.35	33.98
April	27.32	27.75	26.30	28.50	29.48	29.45	29.10	29.75	32.42	33.55

1/ For prompt shipment. Prices for certain qualities were computed using value difference. 2/ In this market Russian Perviy 31/32 mm. cotton is considered to be more nearly equivalent to U.S., S.M. 1-1/16".

Foreign Agricultural Service.



Prices of U.S. and Mexican Cotton  
C.i.f. Liverpool, Monthly averages, 1952-65  
M 1-1/32" prior to June 1959, SM 1-1/16" thereafter

(In U.S. cents per pound)										
Year and Month	:	U.S.	:	Mexican	:	Year and Month	:	U.S.	:	Mexican
1952	:		:		:	1955	:		:	
January	:	53.87	:	-	:	January	:	39.89	:	39.18
February	:	50.11	:	50.55	:	February	:	39.94	:	39.05
March	:	48.66	:	48.17	:	March	:	39.56	:	37.93
April	:	49.04	:	48.54	:	April	:	39.44	:	37.50
May	:	47.93	:	48.44	:	May	:	41.05	:	38.02
June	:	46.98	:	45.33	:	June	:	40.82	:	37.82
July	:	46.32	:	45.73	:	July	:	39.25	:	36.53
August	:	46.00	:	45.30	:	August	:	39.16	:	36.24
September	:	45.91	:	45.23	:	September	:	38.61	:	33.92
October	:	44.18	:	43.20	:	October	:	39.19	:	32.12
November	:	42.52	:	41.67	:	November	:	39.89	:	32.37
December	:	40.44	:	39.62	:	December	:	39.87	:	31.74
Average	:	46.83	:	45.15	:	Average	:	39.72	:	36.04
1953	:		:		:	1956	:		:	
January	:	39.25	:	38.13	:	January	:	39.92	:	32.58
February	:	39.08	:	37.97	:	February	:	40.19	:	35.57
March	:	39.38	:	37.29	:	March	:	40.53	:	36.42
April	:	39.19	:	38.08	:	April	:	38.83	:	35.46
May	:	39.62	:	38.51	:	May	:	33.10	:	32.64
June	:	39.38	:	38.33	:	June	:	31.09	:	31.09
July	:	38.43	:	37.51	:	July	:	30.17	:	29.99
August	:	38.09	:	36.93	:	August	:	29.82	:	29.44
September	:	38.46	:	36.85	:	September	:	29.44	:	29.64
October	:	38.36	:	36.68	:	October	:	30.19	:	30.17
November	:	38.49	:	37.24	:	November	:	31.23	:	31.45
December	:	38.49	:	37.66	:	December	:	31.91	:	32.46
Average	:	38.85	:	37.63	:	Average	:	33.87	:	32.24
1954	:		:		:	1957	:		:	
January	:	39.19	:	38.61	:	January	:	31.15	:	31.79
February	:	39.98	:	37.05	:	February	:	31.12	:	33.08
March	:	40.02	:	38.31	:	March	:	31.27	:	32.44
April	:	40.16	:	38.75	:	April	:	31.24	:	32.18
May	:	40.29	:	38.49	:	May	:	31.51	:	32.10
June	:	39.41	:	37.85	:	June	:	31.51	:	31.18
July	:	38.53	:	37.63	:	July	:	31.52	:	30.90
August	:	38.99	:	38.54	:	August	:	31.53	:	31.48
September	:	40.01	:	39.74	:	September	:	31.35	:	31.40
October	:	39.75	:	39.56	:	October	:	31.50	:	31.74
November	:	39.03	:	39.03	:	November	:	32.27	:	32.34
December	:	39.82	:	39.46	:	December	:	32.54	:	33.02
Average	:	39.60	:	38.59	:	Average	:	31.54	:	31.97
	:		:		:		:		:	





Prices of U.S. and Mexican Cotton--Cont'd  
C.i.f. Liverpool, Monthly averages, 1952-65  
M 1-1/32" prior to June 1959, SM 1-1/16" thereafter

(In U.S. cents per pound)

Year and Month	U.S.	Mexican	Year and Month	U.S.	Mexican
<u>1958</u>			<u>1961</u>		
January	33.19	33.38	January	30.28	30.12
February	32.11	32.19	February	30.96	30.75
March	31.18	31.38	March	30.48	30.60
April	31.16	31.76	April	30.23	30.52
May	31.50	31.61	May	30.10	30.74
June	32.06	30.99	June	30.15	30.66
July	32.59	29.55	July	30.20	30.60
August	32.26	29.36	August	30.23	30.50
September	31.39	28.54	September	30.48	30.56
October	31.38	29.24	October	30.68	30.71
November	31.27	27.91	November	30.73	30.15
December	31.18	26.29	December	30.87	29.96
Average	31.77	30.18	Average	30.45	30.49
<u>1959</u>			<u>1962</u>		
January	30.98	26.68	January	31.04	29.94
February	30.21	26.58	February	31.25	30.09
March	30.17	26.95	March	31.11	30.10
April	30.51	27.46	April	31.95	29.93
May	31.30	27.85	May	31.83	29.82
June	28.22	28.42	June	30.72	29.68
July	28.47	27.88	July	30.00	29.43
August	28.54	28.09	August	30.04	28.95
September	28.48	28.48	September	29.88	28.42
October	28.64	28.70	October	29.82	28.45
November	29.17	29.22	November	29.71	28.78
December	29.88	29.91	December	30.16	29.63
Average	29.55	28.02	Average	30.62	29.44
<u>1960</u>			<u>1963</u>		
January	29.70	29.38	January	30.72	29.85
February	29.61	29.27	February	31.30	29.70
March	29.63	29.35	March	31.51	29.31
April	30.03	29.20	April	29.93	29.06
May	30.00	29.31	May	29.08	28.98
June	29.78	29.72	June	28.96	28.92
July	29.45	29.84	July	28.91	28.91
August	29.68	29.64	August	28.75	29.16
September	29.89	30.01	September	28.69	29.49
October	30.05	30.16	October	28.68	29.26
November	29.90	30.20	November	28.74	29.19
December	30.24	30.12	December	28.90	29.36
Average	29.83	29.68	Average	29.51	29.27



Prices of U.S. and Mexican Cotton--Cont'd  
C.i.f. Liverpool, Monthly averages, 1952-65  
M 1-1/32" prior to June 1959, SM 1-1/16" thereafter

(In U.S. cents per pound)							
Year and Month	U.S.	Mexican		Year and Month	U.S.	Mexican	
1964				1965			
January	29.11	29.76		January	29.66	29.14	
February	29.32	29.72		February	29.70	29.35	
March	29.44	29.70		March	30.04	29.33	
April	29.58	29.59		April	30.12	31.44	
May	29.16	29.76					
June	29.10	29.89					
July	29.22	29.42					
August	29.30	29.19					
September	29.23	29.39					
October	29.30	29.30					
November	29.38	29.09					
December	29.58	29.14					
Average	29.31	29.50					

Cotton Division, FAS  
May 25, 1965



Prices of U.S. and Mexican Cotton  
C.i.f. Liverpool, Monthly averages, 1958-59 to 1964-65  
S. M. 1-1/16" (M 1-1/32" prior to June 1959)

Year and Month	U.S.	Mexican			Year and Month	U.S.	Mexican
<u>1958-59</u>					<u>1962-63</u>		
August	32.26	29.36			January	31.04	29.94
September	31.39	28.54			February	31.25	30.09
October	31.38	29.24			March	31.11	30.10
November	31.27	27.91			April	31.95	29.93
December	31.18	26.29			May	31.83	29.82
<u>1959-60</u>					June	30.72	29.68
January	30.98	26.68			July	30.00	29.43
February	30.21	26.58			August	30.04	28.95
March	30.17	26.95			September	29.88	28.42
April	30.51	27.46			October	29.82	28.45
May	31.30	27.85			November	29.71	28.78
June	28.22	28.42			December	30.16	29.63
July	28.47	27.88			<u>1963-64</u>		
August	28.54	28.09			January	30.72	29.85
September	28.48	28.48			February	31.30	29.70
October	28.64	28.70			March	31.51	29.31
November	29.17	29.22			April	29.93	29.06
December	29.88	29.91			May	29.08	28.98
<u>1960-61</u>					June	28.96	28.92
January	29.70	29.38			July	28.91	28.91
February	29.61	29.27			August	28.75	29.16
March	29.63	29.35			September	28.69	29.49
April	30.03	29.20			October	28.68	29.26
May	30.00	29.31			November	28.74	29.19
June	29.78	29.72			December	28.90	29.36
July	29.45	29.84			<u>1964-65</u>		
August	29.68	29.64			January	29.11	29.76
September	29.89	30.01			February	29.32	29.72
October	30.05	30.16			March	29.44	29.70
November	29.90	30.20			April	29.58	29.59
December	30.24	30.12			May	29.16	29.76
<u>1961-62</u>					June	29.10	29.89
January	30.28	30.12			July	29.22	29.42
February	30.96	30.75			August	29.30	29.19
March	30.48	30.60			September	29.23	29.39
April	30.23	30.52			October	29.30	29.30
May	30.10	30.74			November	29.38	29.09
June	30.15	30.66			December	29.58	29.14
July	30.20	30.60			<u>1965-66</u>		
August	30.23	30.50			January	29.66	29.14
September	30.48	30.56			February	29.70	29.35
October	30.68	30.71					
November	30.73	30.15					
December	30.87	29.96					

Cotton Division, FAS  
March 4, 1965





PRICE COMPARISONS OF UPLAND COTTON FOR  
MARKETING YEARS 1954-55 THROUGH FEB. 1964-65

Marketing Year	Basis M-1" at Average Location				Spot Mkt. : Spot Mkt. : Spot Mkt.		
	Support	Spot	Direct Sales	Export	vs.	Minus	Minus
	Price 1/	Markets	Export 2/	Payment	Support	Direct	PIK
	¢ per lb. : (Col. 1)	¢ per lb. : (Col. 2)	¢ per lb. : (Col. 3)	¢ per lb. : (Col. 4)	Col.2-Col.1 : (Col. 5)	Col.2-Col.3 : (Col. 6)	Col.2-Col.4 : (Col. 7)
<u>54-55</u>							
Aug.	34.03	34.59			0.56	xx	xx
Sept.	34.03	34.99	N		.96	xx	xx
Oct.	34.03	34.90	S O	N	.87	xx	xx
Nov.	34.03	34.43	A	P O	.40	xx	xx
Dec.	34.03	34.64	L	I	.61	xx	xx
Jan.	34.03	34.78	P E	P K	.75	xx	xx
Feb.	34.03	34.88	R S	R	.85	xx	xx
Mar.	34.03	34.33	O	O	.30	xx	xx
Apr.	34.03	34.31	G	G	.28	xx	xx
May	34.03	34.80	R	R	.77	xx	xx
June	34.03	34.99	A	A	.96	xx	xx
July	34.03	34.82	M	M	.79	xx	xx
<u>55-56</u>							
Aug.	34.55	34.71	xx		0.16	xx	xx
Sept.	34.55	34.08	xx		-0.47	xx	xx
Oct.	34.55	33.95	xx	N	-0.60	xx	xx
Nov.	34.55	34.59	xx	P O	0.04	xx	xx
Dec.	34.55	34.56	xx	P I	.01	xx	xx
Jan. <u>3/</u>	34.55	34.92	26.81	R K	.37	8.11	xx
Feb. <u>3/</u>	34.55	35.95	26.81	O	1.40	9.14	xx
Mar.	34.55	36.20	xx	G	1.65	xx	xx
Apr.	34.55	36.17	xx	R	1.62	xx	xx
May	34.55	36.12	xx	A	1.57	xx	xx
June	34.55	36.16	xx	M	1.61	xx	xx
July	34.55	35.05	xx		0.50	xx	xx



	Pasis M-1" at Average Location				Export	Spot Mkt.	Spot Mkt.	Spot Mkt.
Mktg.	Support	Spot	Direct Sales	Payment	vs.	Support	Direct	PIK
Year	Price 1/	Markets	Export 2/	(PIK)	Price	Sales	Payment	
	¢ per lb.	¢ per lb.	¢ per lb.	¢ per lb.	Col.2-Col.1	Col.2-Col.3	Col.2-Col.4	
	(Col.1)	(Col.2)	(Col.3)	(Col.4)	(Col.5)	(Col.6)	(Col.7)	
<u>1956-57</u>								
Aug.	32.74	32.73	26.04	N	-0.01	6.69	xx	
Sept.	32.74	32.79	26.18	O	.05	6.61	xx	
Oct.	32.74	32.91	26.26	P	.17	6.65	xx	
Nov.	32.74	32.91	26.64	I	.17	6.27	xx	
Dec.	32.74	32.87	26.85	K	.13	6.02	xx	
Jan.	32.74	33.13	27.04	P	.39	6.09	xx	
Feb.	32.74	33.49	27.11	R	.74	6.36	xx	
Mar.	32.74	33.54	27.31	O	.80	6.23	xx	
Apr.	32.74	33.59	27.61	G	.85	5.98	xx	
May	32.74	33.61	27.70	R	.87	5.91	xx	
June	32.74	33.69	27.70	A	.95	5.99	xx	
July	32.74	33.71	27.84	M	.97	5.87	xx	
<u>1957-58</u>								
Aug.	32.31	33.38	27.25	N	1.07	6.13	xx	
Sept.	32.31	32.99	27.24	O	.68	5.75	xx	
Oct.	32.31	33.29	27.30	P	.98	5.99	xx	
Nov.	32.31	34.09	28.00	I	1.78	6.09	xx	
Dec.	32.31	34.64	28.30	K	2.33	6.34	xx	
Jan.	32.31	34.58	28.54	P	2.27	6.04	xx	
Feb.	32.31	34.37	28.37	R	2.06	6.00	xx	
Mar.	32.31	34.29	28.21	O	1.98	6.08	xx	
Apr.	32.31	34.34	28.39	G	2.03	5.95	xx	
May	32.31	34.48	28.60	R	2.17	5.88	xx	
June	32.31	34.56	28.82	A	2.25	5.74	xx	
July	32.31	34.63	28.89	M	2.32	5.74	xx	



~~PRICE COMPARISONS OF UPLAND COTTON FOR  
MARKETING YEARS 1958-59 THROUGH FEB. 1961-62~~

	Basis M-1" at Average Location			Export	Spot Mkt.	Spot Mkt.	Spot Mkt.
Mktg.	Support	Spot	Direct Sales	Payment	vs.	Minus	Minus
Year	Price 1/ ¢ per lb.	Markets ¢ per lb.	Export 2/ ¢ per lb.	(PIK) ¢ per lb.	Support Price	Direct Sales	PIK Payment
	(Col.1)	(Col.2)	(Col.3)	(Col.4)	Col.2-Col.1	Col.2-Col.3	Col.2-Col.4
<u>58-59</u>							
Aug.	35.08	34.56	28.50	6.5	- .52	6.06	28.06
Sept.	35.08	34.43	28.41	6.5	- .65	6.02	27.93
Oct.	35.08	34.48	28.72	6.5	- .60	5.76	27.98
Nov.	35.08	34.48	28.70	6.5	- .60	5.78	27.98
Dec.	35.08	34.14	28.49	6.5	- .94	5.65	27.64
Jan.	35.08	34.04	28.41	6.5	- 1.04	5.63	27.54
Feb.	35.08	34.01	28.45	6.5	- 1.07	5.56	27.51
Mar.	35.08	34.10	28.46	6.5	- .98	5.64	27.60
Apr.	35.08	34.29	28.47	6.5	- .79	5.82	27.79
May	35.08	34.35	28.44	6.5	- .73	5.91	27.85
June	35.08	34.25	28.49	6.5	- .83	5.76	27.75
July	35.08	33.28	28.47	6.5	- .80	4.81	26.78
<u>59-60</u>							
Aug.	34.10	31.66	N O	8.0	- 2.44	xx	23.66
Sept.	34.10	31.48	S	8.0	- 2.62	xx	23.48
Oct.	34.10	31.37	A	8.0	- 2.73	xx	23.37
Nov.	34.10	31.32	L	8.0	- 2.78	xx	23.32
Dec.	34.10	31.49	E	8.0	- 2.61	xx	23.49
Jan.	34.10	31.62	S	8.0	- 2.48	xx	23.62
Feb.	34.10	31.72	P	8.0	- 2.38	xx	23.72
Mar.	34.10	31.75	R	8.0	- 2.35	xx	23.75
Apr.	34.10	31.81	O	8.0	- 2.29	xx	23.81
May	34.10	31.89	G	8.0	- 2.21	xx	23.89
June	34.10	31.95	R	8.0	- 2.15	xx	23.95
July	34.10	31.67	A M	8.0	- 2.43	xx	23.67
<u>60-61</u>							
Aug.	32.42	30.46	N	6.0	- 1.96	xx	24.46
Sept.	32.42	30.23	O	6.0	- 2.19	xx	24.23
Oct.	32.42	29.93	S	6.0	- 2.49	xx	23.93
Nov.	32.42	29.90	A	6.0	- 2.52	xx	23.90
Dec.	32.42	29.87	L	6.0	- 2.55	xx	23.87
Jan.	32.42	29.85	P E	6.0	- 2.57	xx	23.85
Feb.	32.42	30.12	R S	6.0	- 2.30	xx	24.12
Mar.	32.42	30.78	O	6.0	- 1.64	xx	24.78
Apr.	32.42	31.12	G	6.0	- 1.30	xx	25.12
May	32.42	31.51	R	6.0	- .91	xx	25.51
June	32.42	31.93	A	6.0	- .49	xx	25.93
July	32.42	32.36	M	6.0	- .06	xx	26.36





	Basis M-1" at Average Location			Export	Spot Mkt.	Spot Mkt.	Spot Mkt.
Mktg.	Support	Spot	Direct Sales	Payment	vs.	Minus	Minus
Year	Price 1/	Markets	Export 2/	(PIK)	Support	Direct	PIK
	¢ per lb.	¢ per lb.	¢ per lb.	¢ per lb.	Col.2-Col.1	Col.2-Col.3	Col.2-Col.4
	(Col.1)	(Col.2)	(Col.3)	(Col.4)	(Col.5)	(Col.6)	(Col.7)
<u>61-62</u>							
Aug.	33.04	32.81	N	8.5	-.23	xx	24.31
Sept.	33.04	33.08	O	8.5	-.04	xx	24.58
Oct.	33.04	33.29	S	8.5	.25	xx	24.79
Nov.	33.04	33.29	A	8.5	.25	xx	24.79
Dec.	33.04	33.26	L	8.5	.22	xx	24.76
Jan.	33.04	33.30	P E	8.5	.26	xx	24.80
Feb.	33.04	33.36	R S	8.5	.32	xx	24.86
Mar.	33.04	33.45	O	8.5	.41	xx	24.95
Apr.	33.04	33.55	G	8.5	.51	xx	25.05
May	33.04	33.58	R	8.5	.54	xx	25.08
June	33.04	33.79	A	8.5	.75	xx	25.29
July	33.04	33.68	M	8.5	.64	xx	25.18
<u>62-63</u>							
Aug.	32.47	33.11	N	8.5	.64	xx	24.61
Sept.	32.47	32.77	O	8.5	.30	xx	24.27
Oct.	32.47	32.76	S	8.5	.29	xx	24.26
Nov.	32.47	32.73	A	8.5	.26	xx	24.23
Dec.	32.47	32.88	L	8.5	.41	xx	24.38
Jan.	32.47	33.17	P E	8.5	.70	xx	24.67
Feb.	32.47	33.50	R S	8.5	1.03	xx	25.00
Mar.	32.47	33.79	O	8.5	1.32	xx	25.29
Apr.	32.47	33.86	G	8.5	1.39	xx	25.36
May	32.47	33.88	R	8.5	1.41	xx	25.38
June	32.47	33.66	A	8.5	1.19	xx	25.16
July	32.47	33.18	M	8.5	.71	xx	24.68
<u>63-64</u>							
Aug.	32.47	32.92	24.12	8.5	.45	8.80	24.42
Sept.	32.47	32.84	24.08	8.5	.37	8.76	24.34
Oct.	32.47	32.83	24.15	8.5	.36	8.68	24.33
Nov.	32.47	32.86	24.12	8.5	.39	8.74	24.36
Dec.	32.47	32.90	24.08	8.5	.43	8.82	24.40
Jan.	32.47	32.97	24.05	8.5	.50	8.92	24.47
Feb.	32.47	33.05	24.07	8.5	.58	8.98	24.55
Mar.	32.47	33.13	24.06	8.5	.66	9.07	24.63
Apr.	32.47	33.16	24.06	8.5	.69	9.10	24.66
May	32.47	33.12	24.05	8.5	.65	9.07	24.62
June	32.47	33.02	24.05	8.5	.55	8.97	24.52
July	32.47	32.32	24.03	8.5	.15	8.29	23.82



	Basis M-1" at Average Location				Export	Spot Mkt.	Spot Mkt.	Spot Mkt.
Mktg.	Support	Spot	Direct Sales	Payment	vs.	Support	Direct	PIK
Year	Price 1/	Markets	Export 2/	(PIK)	Price	Sales	Payment	
	¢ per lb.	¢ per lb.	¢ per lb.	¢ per lb.	Col.2-Col.1	Col.2-Col.3	Col.2-Col.4	
	(Col.1)	(Col.2)	(Col.3)	(Col.4)	(Col.5)	(Col.6)	(Col.7)	
64-65								
Aug.	30.00	31.00	- -					
Sept.	30.00	30.47	24.14	6.5	.47	6.33	23.97	
Oct.	30.00	30.38	24.26	6.5	.38	6.12	23.88	
Nov.	30.00	30.38	24.34	6.5	.38	6.04	23.88	
Dec.	30.00	30.37	24.43	6.5	.37	5.94	23.87	
Jan.	30.00	30.36	24.56	6.5	.36	5.80	23.86	
Feb.	30.00	30.43	24.63	6.5	.43	5.80	23.93	

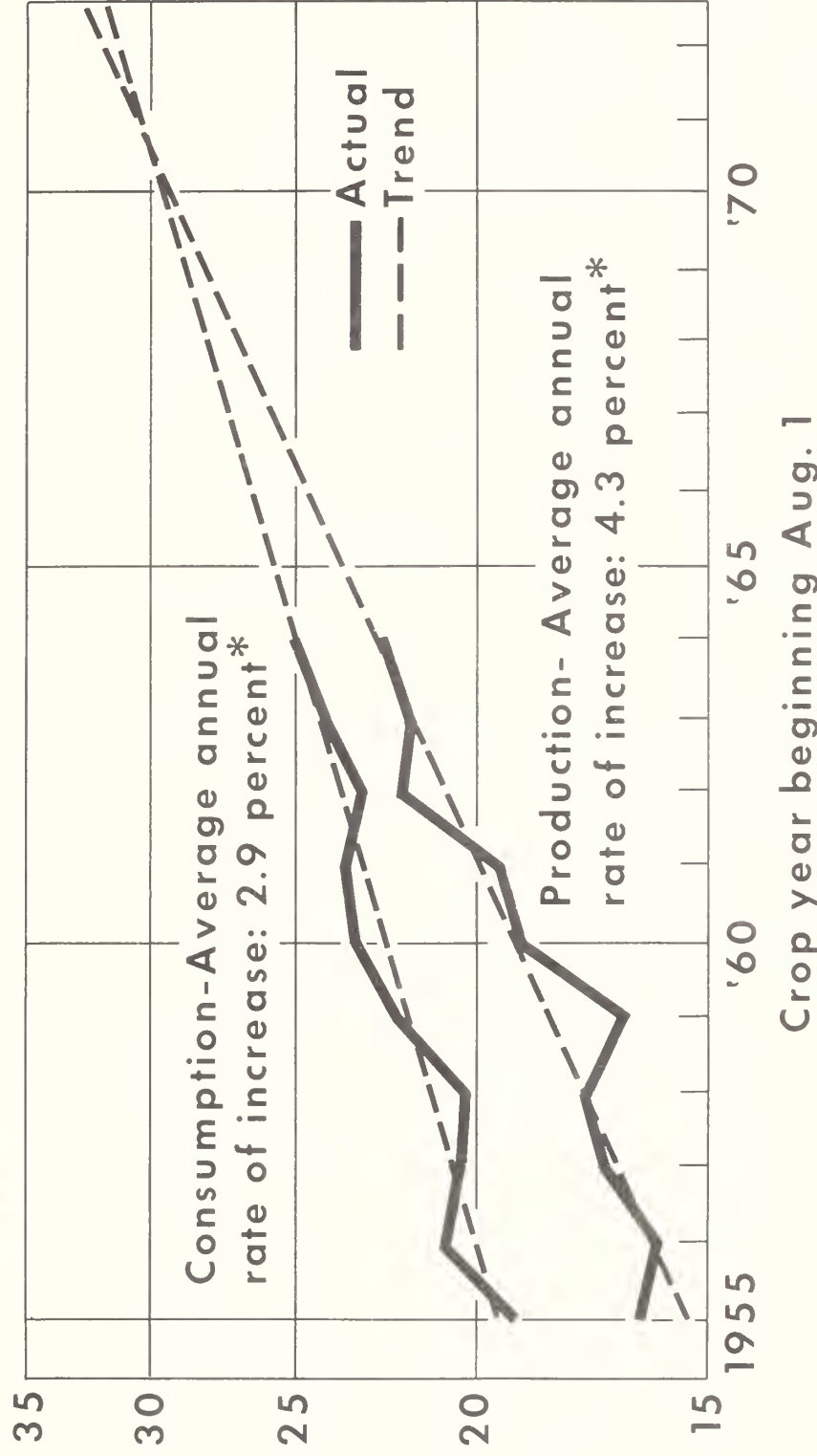
1/ For 1959-60 and 1960-61 price is for choice A Plan only.

2/ 1963-64 does not include price at which CCC sold its equity in 1963 crop loan. Represents only sales made for the month under the designated marketing year program,

3/ Special 1 million bale program.



# FOREIGN FREE WORLD PRODUCTION AND CONSUMPTION OF COTTON



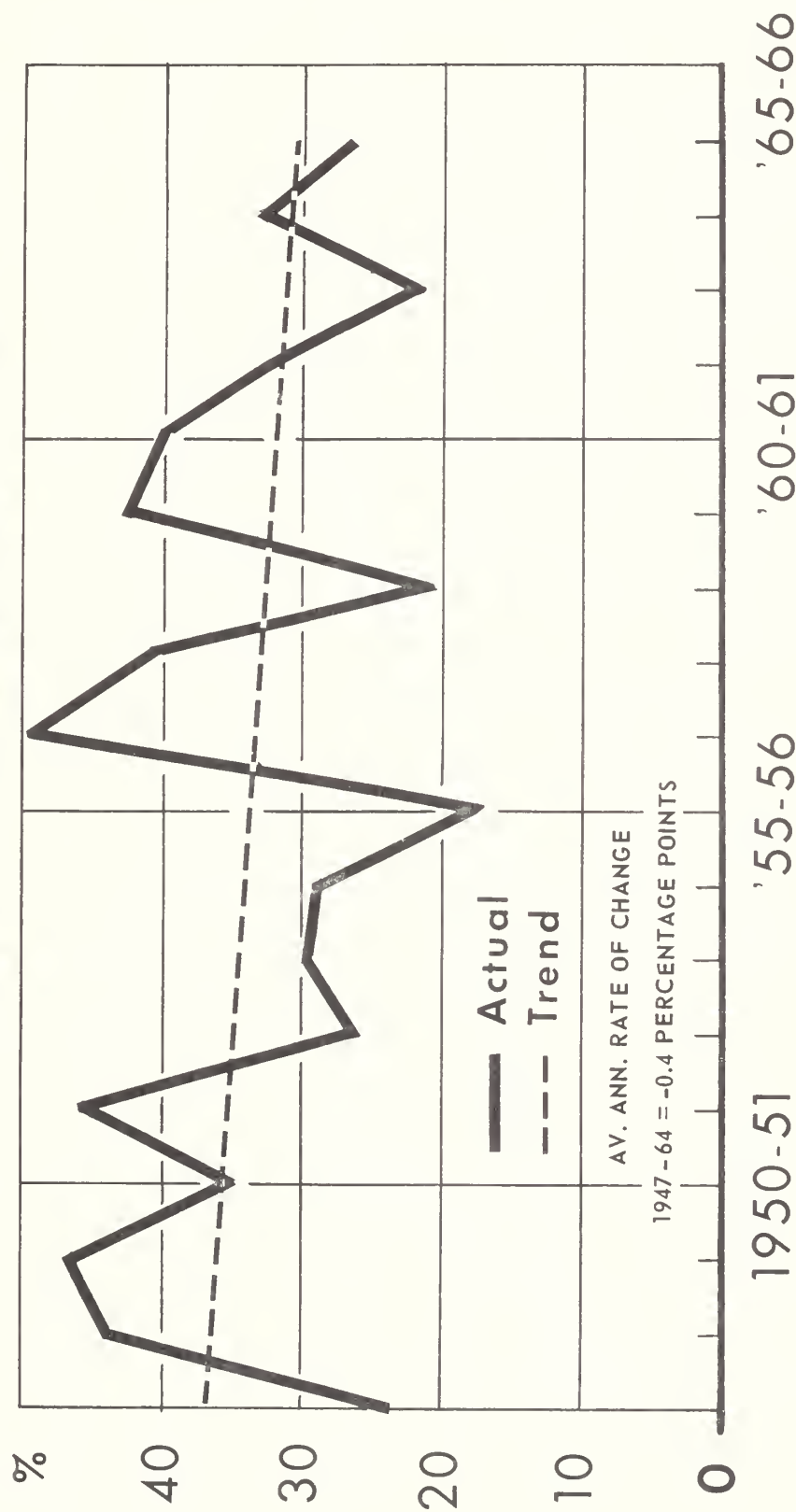
500 pound gross weight bales

\*Plotted on ratio scale where equal vertical distances represent equal percentage changes





# UNITED STATES COTTON EXPORTS AS A PERCENT OF WORLD EXPORTS

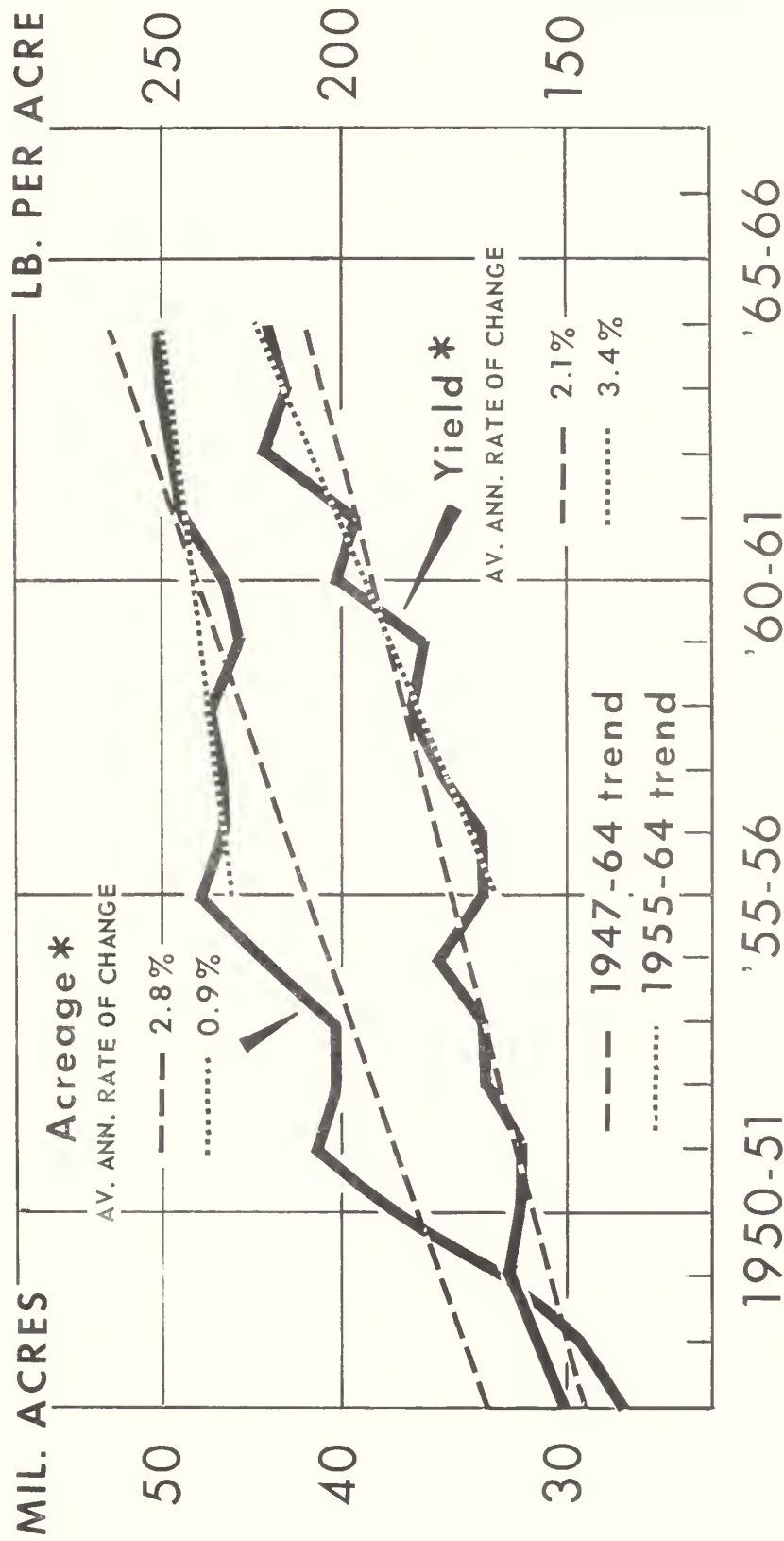


YEAR BEGINNING AUGUST 1.

1964-65 ESTIMATED.



# FOREIGN FREE WORLD COTTON ACREAGE AND YIELD

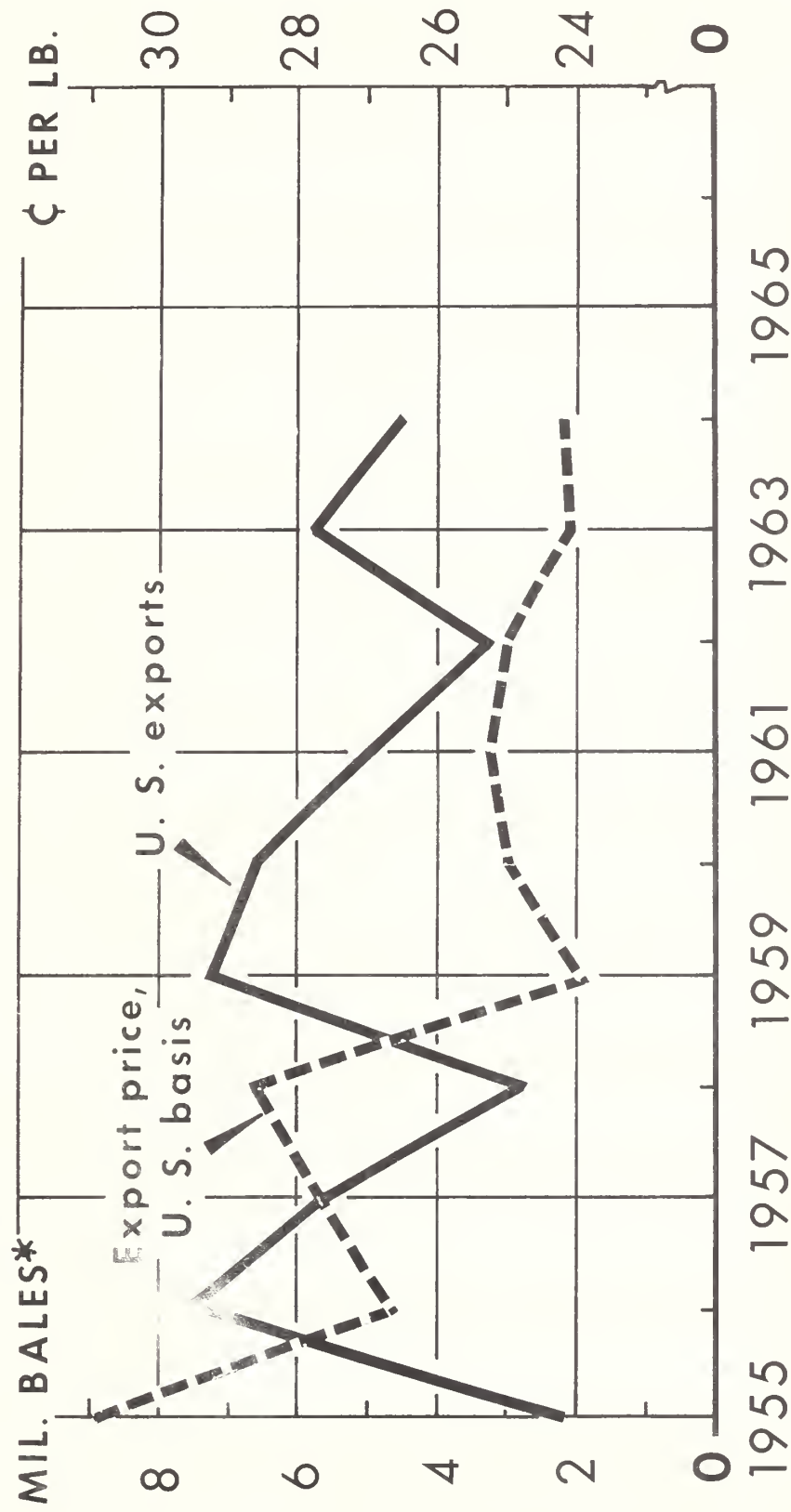


CROP YEAR BEGINNING AUGUST 1, 500 POUND GROSS WEIGHT BALES. 1964-65 ESTIMATED.

\* PLOTTED ON RATIO SCALE WHERE EQUAL VERTICAL DISTANCES REPRESENT EQUAL PERCENTAGE CHANGES.



# U. S. COTTON EXPORTS AND EXPORT PRICE, 1955-64

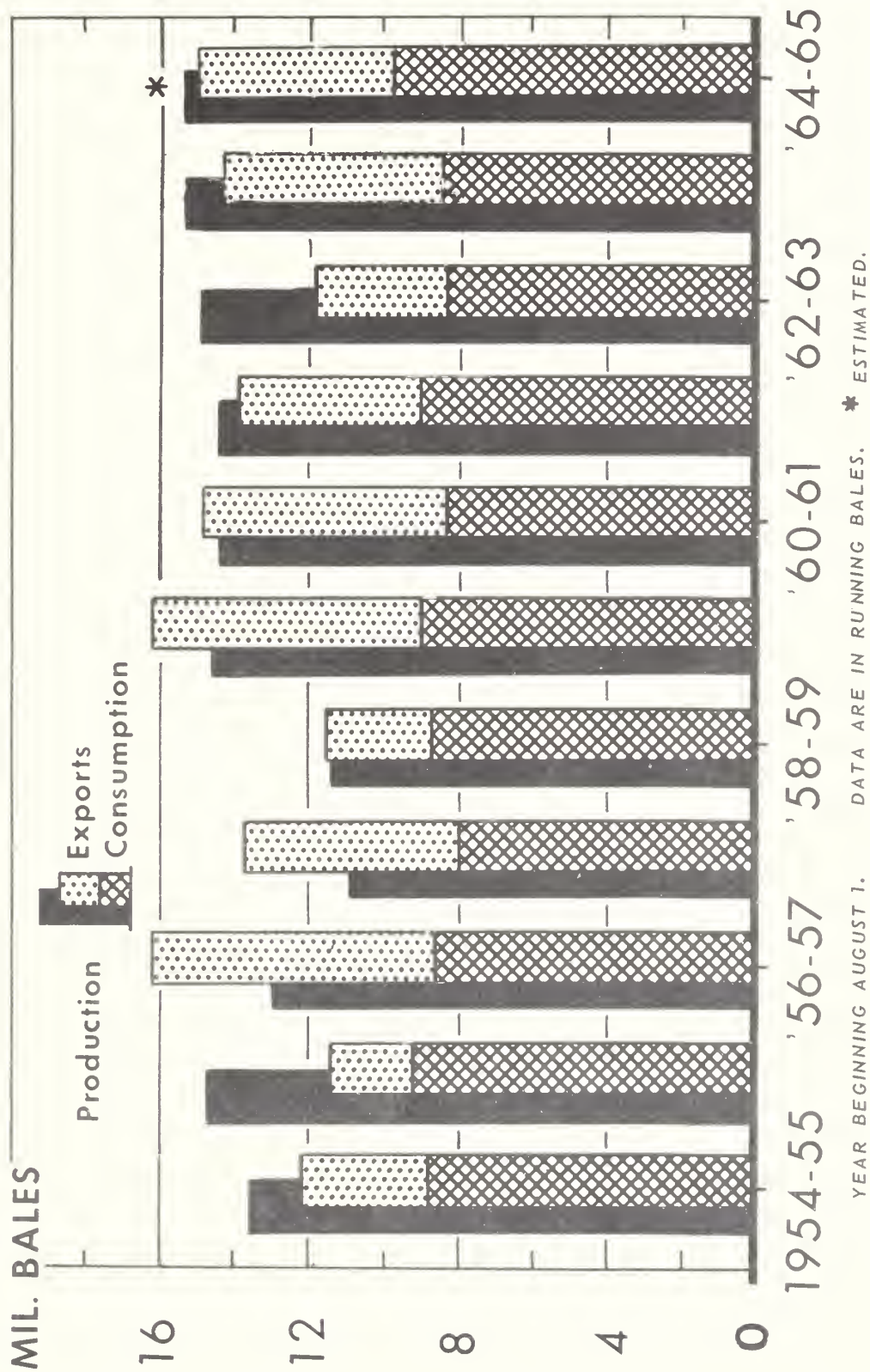


YEAR BEGINNING AUGUST 1. \* RUNNING BALES 1964 ESTIMATED.



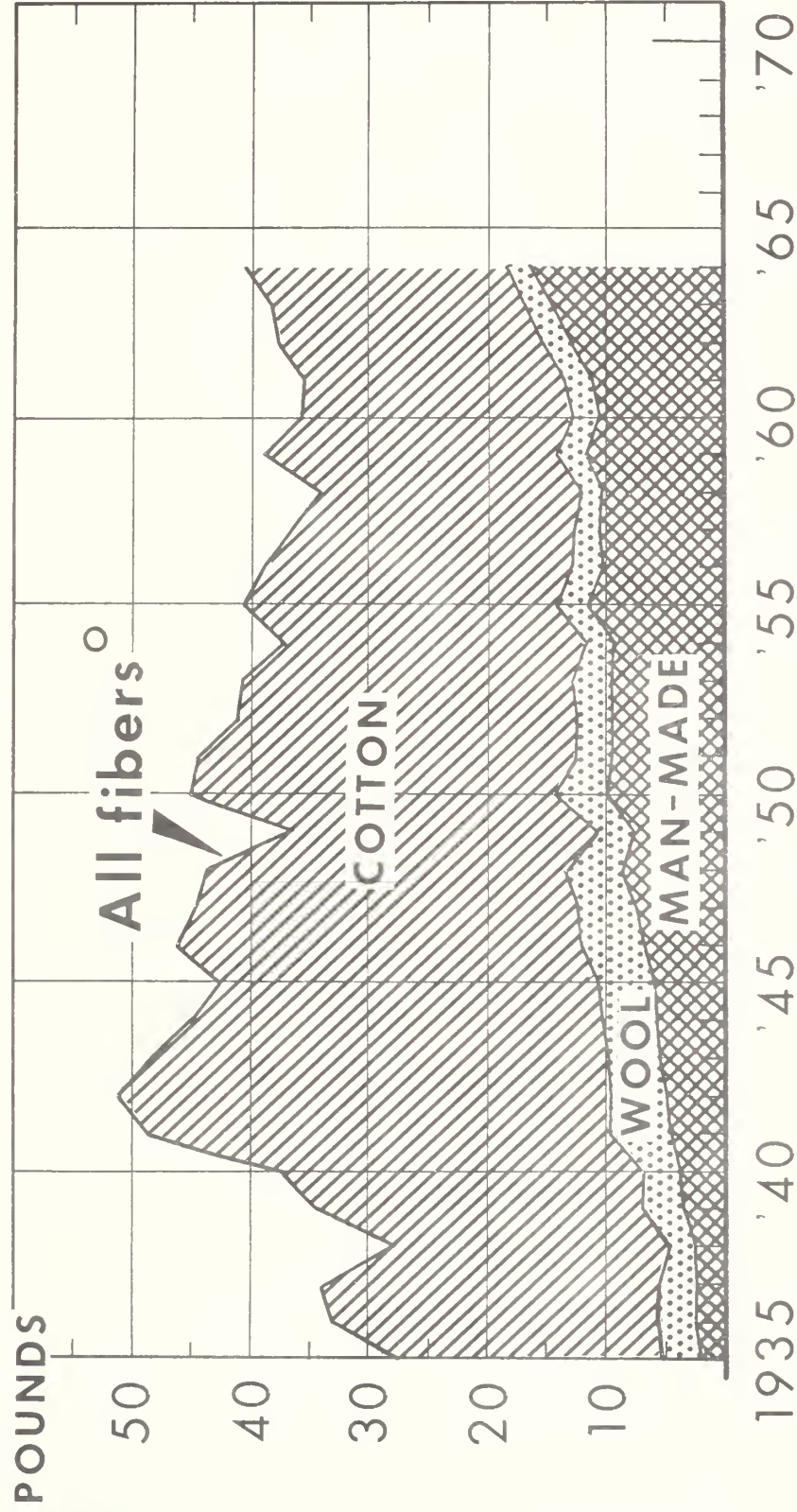


# U. S. COTTON PRODUCTION AND USE





# MILL CONSUMPTION OF FIBERS, PER CAPITA

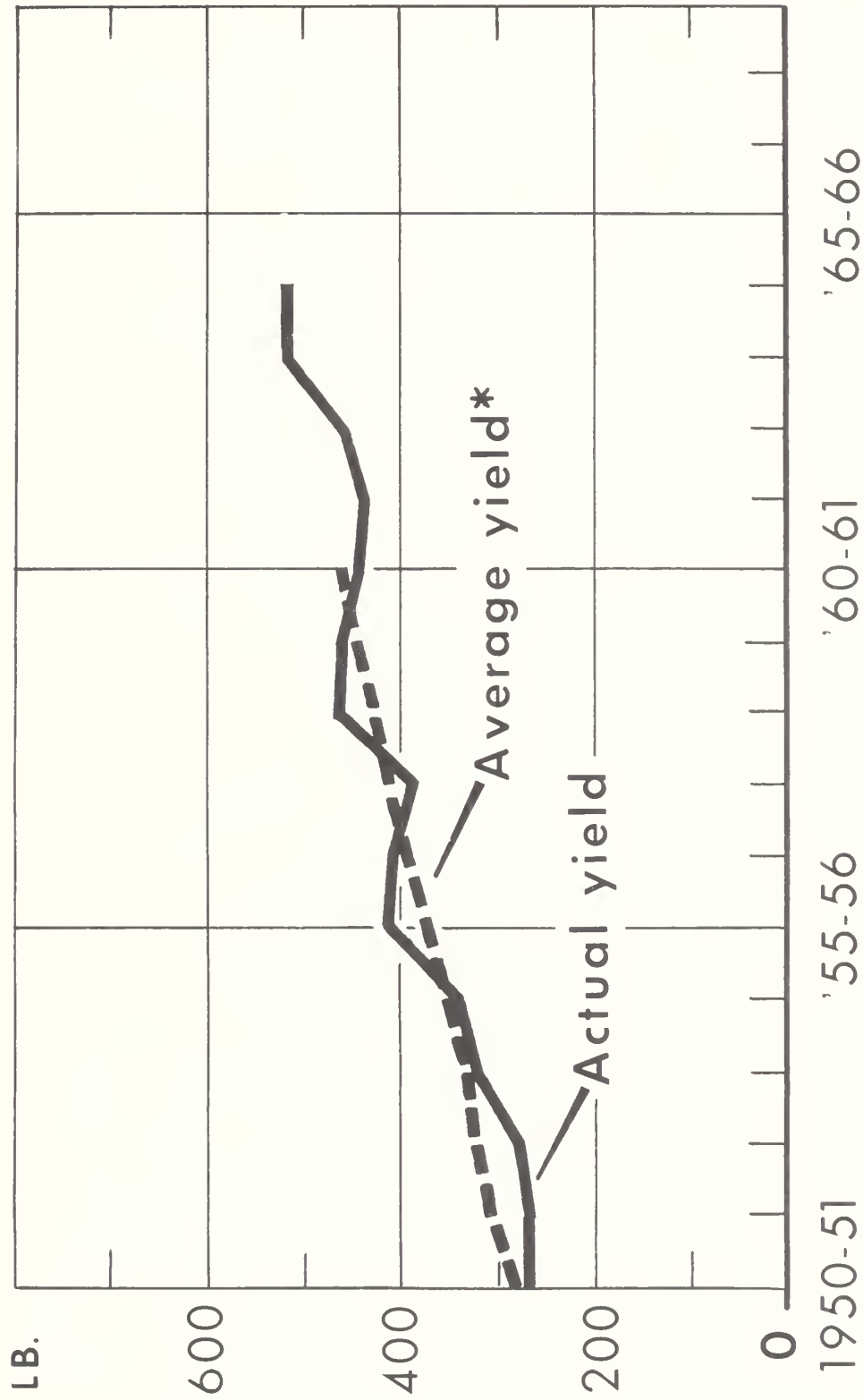


YEAR BEGINNING JAN. 1.

○ DOES NOT INCLUDE FLAX AND SILK. 1964 PRELIMINARY.



# COTTON YIELDS PER ACRE



\* 9- YEAR MOVING AVERAGE, CENTERED, PER HARVESTED ACRE.

